

## Consolidated Balance Sheet

Department of Defense • Department of the Army  
As of September 30, 2003 and 2002 (\$ in thousands)

<b>ASSETS (Note 2)</b>	<b>2003 Consolidated</b>	<b>2002 Consolidated</b>
Intragovernmental:		
Fund Balance with Treasury (Note 3)		
Entity	\$2,588,857	\$2,502,677
Non-Entity Seized Iraqi Cash	0	0
Non-Entity-Other	6,865	41,280
Investments (Note 4)	2,478,454	2,269,086
Accounts Receivable (Note 5)	423,774	528,150
Other Assets (Note 6)	0	0
Total Intragovernmental Assets	<u>\$5,497,950</u>	<u>\$5,341,193</u>
Cash and Other Monetary Assets (Note 7)	\$1,278	\$817
Accounts Receivable (Note 5)	1,935,567	922,931
Loans Receivable (Note 8)	0	0
Inventory and Related Property (Note 9)	62,605	63,139
General Property, Plant and Equipment (Note 10)	30,909,056	34,204,467
Investments (Note 4)	0	0
Other Assets (Note 6)	0	77
<b>TOTAL ASSETS</b>	<u><u>\$38,406,456</u></u>	<u><u>\$40,532,624</u></u>
<b>LIABILITIES (Note 11)</b>		
Intragovernmental:		
Accounts Payable (Note 12)	\$92,764	\$83,815
Debt (Note 13)	17,386	24,667
Environmental Liabilities (Note 14)	0	0
Other Liabilities (Note 15 & Note 16)	2,096,480	1,146,944
Total Intragovernmental Liabilities	<u>\$2,206,630</u>	<u>\$1,255,426</u>
Accounts Payable (Note 12)	\$568,108	\$595,952
Military Retirement Benefits and Other Employment-Related	0	0
Actuarial Liabilities (Note 17)		
Environmental Liabilities (Note 14)	0	0
Loan Guarantee Liability (Note 8)	0	0
Other Liabilities (Note 15 & Note 16)	705,384	590,776
Debt Held by Public (Note 13)	0	0
<b>TOTAL LIABILITIES</b>	<u><u>\$3,480,122</u></u>	<u><u>\$2,442,154</u></u>
<b>NET POSITION</b>		
Unexpended Appropriations (Note 18)	\$636,846	\$1,064,864
Cumulative Results of Operations	34,289,488	37,025,606
<b>TOTAL NET POSITION</b>	<u><u>\$34,926,334</u></u>	<u><u>\$38,090,470</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$38,406,456</u></u>	<u><u>\$40,532,624</u></u>

The accompanying notes are an integral part of these statements.

## Consolidated Statement of Net Costs

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	2003 Consolidated	2002 Consolidated
<b>Program Costs</b>		
Intragovernmental Gross Costs	\$819,199	\$786,630
(Less: Intragovernmental Earned Revenue)	(1,011,769)	(616,437)
Intragovernmental Net Costs	(\$192,570)	\$170,193
Gross Costs With the Public	\$9,466,972	\$6,314,764
(Less: Earned Revenue From the Public)	(298,633)	(121,740)
Net Costs With the Public	\$9,168,339	\$6,193,024
Total Net Cost	\$8,975,769	\$6,363,217
<b>Cost Not Assigned to Programs</b>	0	0
<b>(Less: Earned Revenue Not Attributable to Programs)</b>	0	0
<b>Net Cost of Operations</b>	<u>\$8,975,769</u>	<u>\$6,363,217</u>

## Consolidated Statement of Changes in Net Position

*Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)*

	<b>CUMULATIVE RESULTS OF OPERATIONS</b>		<b>UNEXPENDED APPROPRIATIONS</b>	
	<b>2003 Consolidated</b>	<b>2002 Consolidated</b>	<b>2003 Consolidated</b>	<b>2002 Consolidated</b>
<b>Beginning Balances</b>	\$39,695,092	\$37,604,229	\$1,064,864	\$1,214,901
<b>Prior period adjustments (+/-)</b>	(2,669,485)	0	0	0
<b>Beginning Balances, as adjusted</b>	\$37,025,607	\$37,604,229	\$1,064,864	\$1,214,901
<b>Budgetary Financing Sources:</b>				
Appropriations received	0	0	4,027,057	4,324,965
Appropriations transferred-in/out (+/-)	0	0	196,111	198,408
Other adjustments (rescissions, etc) (+/-)	0	0	(344,418)	(153,374)
Appropriations used	4,323,711	4,704,846	(4,306,768)	(4,520,036)
Nonexchange revenue	931,241	819,255	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers-in/out without reimbursement (+/-)	863,243	(706,651)	0	0
Other budgetary financing sources (+/-)	(32,536)	(3,166)	0	0
<b>Other Financing Sources:</b>				
Donations and forfeitures of property	4,648	303	0	0
Transfers-in/out without reimbursement (+/-)	(56,344)	744,279	0	0
Imputed financing from costs absorbed by others	225,066	208,986	0	0
Other (+/-)	(19,379)	16,743	0	0
<b>Total Financing Sources</b>	\$6,239,650	\$5,784,595	(\$428,018)	(\$150,037)
<b>Net Cost of Operations (+/-)</b>	8,975,769	6,363,217	0	0
<b>Ending Balances</b>	<u>\$34,289,488</u>	<u>\$37,025,607</u>	<u>\$636,846</u>	<u>\$1,064,864</u>

The accompanying notes are an integral part of these statements.

## Combined Statement of Budgetary Resources

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

BUDGETARY FINANCING ACCOUNTS BUDGETARY RESOURCES	BUDGETARY RESOURCES		NON-BUDGETARY RESOURCES	
	2003 Combined	2002 Combined	2003 Combined	2002 Combined
Budget Authority:				
Appropriations received	\$7,652,893	\$4,324,965	\$0	\$0
Borrowing authority	0	0	0	0
Contract authority	0	0	0	0
Net transfers (+/-)	160,964	1,006,223	0	0
Other	0	0	0	0
Unobligated balance:				
Beginning of period	1,741,013	1,713,303	0	0
Net transfers, actual (+/-)	0	(23,140)	0	0
Anticipated Transfers balances	0	0	0	0
Spending authority from offsetting collections:				
Earned	0	0	0	0
Collected	5,065,570	4,837,613	0	0
Receivable from Federal sources	(74,841)	(53,523)	0	0
Change in unfilled customer orders	0	0	0	0
Advance received	(16,318)	37,345	0	0
Without advance from Federal sources	262,126	115,628	0	0
Anticipated for the rest of year, without advances	0	0	0	0
Transfers from trust funds	0	0	0	0
Subtotal	\$5,236,537	\$4,937,063	\$0	\$0
Recoveries of prior year obligations	0	0	0	0
Temporarily not available pursuant to Public Law	0	0	0	0
Permanently not available	(8,653)	(16,515)	0	0
<b>Total Budgetary Resources</b>	<b>\$14,782,754</b>	<b>\$11,941,899</b>	<b>\$0</b>	<b>\$0</b>

## Combined Statement of Budgetary Resources

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

### NONBUDGETARY FINANCING ACCOUNTS

#### STATUS OF BUDGETARY RESOURCES

	2003 Combined	2002 Combined	2003 Combined	2002 Combined
Obligations incurred:				
Direct	\$5,516,359	\$5,415,360	\$0	\$0
Reimbursable	5,033,749	4,785,522	0	0
Subtotal	\$10,550,108	\$10,200,882	\$0	\$0
Unobligated balance:				
Apportioned	1,387,762	1,246,051	0	0
Exempt from apportionment	2,844,875	494,957	0	0
Other available	0	0	0	0
Unobligated Balances Not Available	9	9	0	0
<b>Total, Status of Budgetary Resources</b>	<b>\$14,782,754</b>	<b>\$11,941,899</b>	<b>\$0</b>	<b>\$0</b>

#### RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:

Obligated Balance, Net - beginning of period	\$1,047,323	\$1,097,971	\$0	\$0
Obligated Balance transferred, net (+/-)	0	0	0	0
Obligated Balance, Net - end of period:				
Accounts receivable	(160,601)	(235,443)	0	0
Unfilled customer order from Federal sources	(1,635,255)	(1,373,128)	0	0
Undelivered orders	1,628,915	1,475,183	0	0
Accounts payable	1,174,565	1,180,711	0	0
Outlays:				
Disbursements	10,402,525	10,189,428	0	0
Collections	(5,049,251)	(4,874,959)	0	0
Subtotal	\$5,353,274	\$5,314,469	\$0	\$0
Less: Offsetting receipts	(904,214)	(819,255)	0	0
<b>Net Outlays</b>	<b>\$4,449,060</b>	<b>\$4,495,214</b>	<b>\$0</b>	<b>\$0</b>

The accompanying notes are an integral part of these statements.

## Combined Statement of Financing

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>Resources Used to Finance Activities:</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Budgetary Resources Obligated		
Obligations incurred	\$10,550,108	\$10,200,882
Less: Spending authority from offsetting collections and recoveries (-)	(5,236,537)	(4,937,063)
Obligations net of offsetting collections and recoveries	\$5,313,571	\$5,263,819
Less: Offsetting receipts (-)	(904,214)	(819,255)
Net obligations	\$4,409,357	\$4,444,564
Other Resources		
Donations and forfeitures of property	4,648	303
Transfers in/out without reimbursement (+/-)	(56,344)	1,171
Imputed financing from costs absorbed by others	225,066	208,986
Other (+/-)	(19,379)	16,743
Net other resources used to finance activities	153,991	227,203
<b>Total resources used to finance activities</b>	<b>\$4,563,348</b>	<b>\$4,671,767</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided		
Undelivered Orders (-)	(\$154,315)	(\$2,705)
Unfilled Customer Orders	245,807	152,974
Resources that fund expenses recognized in prior periods	0	0
Budgetary offsetting collections and receipts that do not affect net cost of operations	904,695	819,255
Resources that finance the acquisition of assets	1,399,859	(2,461,629)
Other resources or adjustments to net obligated resources that do not affect net cost of operations		
Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget (-)	0	0
Other (+/-)	0	0
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>\$2,396,046</b>	<b>(\$1,492,105)</b>
<b>Total resources used to finance the net cost of operations</b>	<b>\$6,959,394</b>	<b>\$3,179,662</b>

## Combined Statement of Financing

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

### Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:

	2003 Combined	2002 Combined
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	\$0	\$0
Increase in environmental and disposal liability	0	0
Upward/Downward reestimates of credit subsidy expense (+/-)	0	0
Increase in exchange revenue receivable from the the public (-)	0	(3,429)
Other (+/-)	66,422	41,498
Total components of Net Cost of Operations that will require or generate resources in future periods	\$66,422	\$38,069
Components not Requiring or Generating Resources:		
Depreciation and amortization	447,661	475,535
Revaluation of assets or liabilities (+/-)	1,477,630	0
Other (+/-)	24,662	2,669,951
Total components of Net Cost of Operations that will not require or generate resources	\$1,949,953	\$3,145,486
<b>Total components of net cost of operations that will not require or generate resources in the current period</b>	<b>\$2,016,375</b>	<b>\$3,183,555</b>
<b>Net Cost of Operations</b>	<b>\$8,975,769</b>	<b>\$6,363,217</b>

The accompanying notes are an integral part of these statements.

# Notes to the Principal Financial Statements

## Note 1. Significant Accounting Policies

### 1.A. Basis of Presentation

These financial statements have been prepared to report the financial position and results of operations of the U.S. Army Corps of Engineers (USACE) Civil Works, as required by the “Chief Financial Officers (CFO) Act of 1990,” expanded by the “Government Management Reform Act (GMRA) of 1994,” and other appropriate legislation. The financial statements have been prepared from the books and records of the USACE in accordance with the “Department of Defense Financial Management Regulation (DoDFMR),” the Office of Management and Budget (OMB) Bulletin No. 01-09, “Form and Content of Agency Financial Statements” and to the extent possible, generally accepted accounting principles (GAAP). The USACE's financial statements are in addition to the financial reports also prepared by the USACE pursuant to OMB directives that are used to monitor and control the USACE's use of budgetary resources.

The USACE financial statements are prepared from the consolidation of general ledger financial data reported from the Corps of Engineers Financial System (CEFMS) to the Corps of Engineers Enterprise Management Information System (CEEMIS).

A more detailed explanation of these financial statements elements is provided in the applicable footnote.

### 1.B. Mission of the Reporting Entity

Some of the missions of the Corps of Engineers include maintaining navigation channels, reducing flooding, assisting during natural disasters and other emergencies and making waterways passable. The financial statements are presented on the accrual basis of accounting as required by federal financial accounting standards.

The asset accounts used to prepare the principal financial statements are categorized as entity/non-entity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are not available for use in the operations of the entity.

The Corps of Engineers Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. Program funding is also received from non-Federal project sponsors who share in project costs according to formulas established by project authorization acts. A third source of funding comes through the Support for Others Program, which is conducted under reimbursable agreements with Federal agencies.

#### Entity Accounts:

##### General Funds

96X3112	Flood Control, Mississippi River and Tributaries
96X3121	General Investigations
9600/013121	General Investigations (00/01)



9602/033121	General Investigations (02/03)
96X3122	Construction, General
96X3123	Operation and Maintenance, General
96X3124	General Expenses
96X3125	Flood Control and Coastal Emergencies
96X3126	Regulatory Program
96X3128	Washington Aqueduct Capital Improvements
96033129	Payment to the South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
96X3130	FUSRAP
Revolving Funds	
96X4902	Revolving Fund
Special Funds	
96X5007	Special Recreation Use Fees
96X5066	Hydraulic Mining in California, Debris
96X5090	Payments to States, Flood Control Act of 1954
96X5125	Maintenance and Operation of Dams and Other Improvements of Navigable Waters
Trust Funds	
96X8217	South Dakota Terrestrial Wildlife habitat Restoration Trust Fund
96X8333	Coastal Wetlands Restoration Trust Fund
9620X8861	Inland Waterways Trust Fund
96X8862	Rivers and Harbors Contributed and Advance Funds
9620X8863	Harbor Maintenance Trust Fund
Transfer Funds	
96 12X1105	State and Private Forestry, Forest Service
96 13X2050	Economic Development Administration
96 14X1039	Construction National Park Service
96 14X5035	Land Acquisition and State Assistance, National Park Service
96 21X2020	OMA, American Samoa Projects
96 69X8083	Federal Aid Highways
96 89X4045	Bonneville Power Administration
96 72 99/00 1021	Development Assistance, Agency for International Development

Non-Entity:

Deposit Funds

96X6094	Advances from the District of Columbia
96X6500	Advances without Orders from Non-Federal Sources
96X6501	Small Escrow Amounts

Clearing Accounts

96F3875	Budget Clearing Account
96F3880	Unavailable Check Cancellations and Overpayments
96F3886	TSP

Receipt Accounts

960891	Miscellaneous fees for regulatory and judicial services, not otherwise classified
961060	Forfeitures of Unclaimed Money and Property
961099	Fines, Penalties, and forfeitures Not Otherwise Classified
961435	General Fund Proprietary Interest, Not Otherwise Classified
963220	General Fund Proprietary Receipts. Not Otherwise Classified, All Other
965007	Special Recreation Use Fees
965066	Hydraulic Mining in California
965090	Receipts from leases of lands acquired for flood control, navigation, and allied purposes
965125	Licenses under Federal Power Act, Improvements of navigable water, maintenance and operation of dams, etc., (50%)
968217.001	Payment from the General Fund, South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund
968217.002	Earnings on Investments, South Dakota Terrestrial Wildlife Restoration Trust Fund
968862.001	Contributions and Advances, Rivers and Harbors

## 1.C. Appropriations and Funds

The Corps' appropriations and funds are divided into the general, working capital (revolving funds), trust, special and deposit funds. These appropriations and funds are used to fund and report how the resources have been used in the course of executing the Corps' missions.

The Civil Works Program receives Federal funding through annual Energy and Water Development Appropriations Acts. Program funding also comes from non-Federal project sponsors who share in project costs according to formulas established by project authorization acts. A third source of funding comes through the Supports for Others Program, which is conducted under reimbursable agreements with Federal agencies.

In 1997, the Corps received borrowing authority from the Treasury for the following three years (1997 through 1999) to finance capital improvements to the Washington Aqueduct. Appropriation 96X3128 was established to record financial transactions for these capital improvements.

General funds are used for financial transactions arising under congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and construction accounts.

Trust funds represent the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.

Special funds account for receipts of the government that are earmarked for a specific purpose.

Deposit funds generally are used to (1) hold assets for which the Corps is acting as an agent or a custodian or whose distribution awaits legal determination, or (2) account for unidentified remittances.

#### 1.D. Basis of Accounting

The Corps' transactions are generally recorded on an accrual accounting basis and a budgetary basis as is required by GAAP. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitate compliance with legal and internal control requirements associated with the use of federal funds.

CEFMS is used at all divisions, districts, centers, laboratories and field offices. CEFMS is a fully automated, comprehensive financial management system that simplifies the management of all aspects of the Corps business, including civil, military, revolving funds and reimbursable activity. The general ledger chart of accounts in CEFMS is substantially compliant with the U.S. Government Standard General Ledger.

In addition, the Corps identifies programs based upon the major appropriation groups provided by Congress.

#### 1.E. Revenues and Other Financing Sources

Financing sources for general funds are provided primarily through congressional appropriations that are received on both an annual and a multiyear basis. When authorized, these appropriations are supplemented by revenues generated by sales of goods or services through a reimbursable order process. The Corps recognizes revenue as a result of costs incurred or services performed on behalf of other federal agencies and the public. Revenue is recognized when earned under the reimbursable order process.

#### 1.F. Recognition of Expenses

For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses in the Corps operations until depreciated in the case of PP&E or consumed in the case of OM&S. Net increases or decreases in unexpended appropriations are recognized as a change in the net position.

Certain expenses, such as annual and military leave earned but not taken, are financed in the period when earned.

### 1.G. Accounting for Intra-governmental Activities

The Corps, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the Corps as though the agency was a stand alone entity.

The Corps' proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related costs are not apportioned to federal agencies. The Corps' financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Department of the Treasury does not allocate such interest costs to the benefiting agencies.

The Corps' civilian employees participate in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement Systems (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The Corps funds a portion of the civilian and military pensions. Reporting civilian pension under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The Corps recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.

The Department reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Fund (MRF) financial statements. The Department recognizes the actuarial liability for the military retirement health benefits in the Other Defense Organization column of the DoD Agency wide consolidating/combining statements.

To prepare reliable financial statements, transactions occurring between entities within the Department or between two or more federal agencies must be eliminated.

The Department of the Treasury, Financial Management Service (FMS) is responsible for eliminating transactions between the Department and other federal agencies. In September 2000, the Department of the Treasury, FMS issued the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide." The Corps implemented the policies and procedures in this guide related to reconciling intragovernmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. In addition, the Corps implemented the policies and procedures contained in the "Intragovernmental Fiduciary Transactions Accounting Guide," as updated by the "Federal Intragovernmental Transactions Accounting Policies and Procedures Guide," issued October 2002, for reconciling intragovernmental transactions. These transactions pertain to investments in Federal securities, borrowings from United States (U.S.) Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor (DoL), and benefit program transactions with the OPM.

### 1.H. Transactions with Foreign Governments and International Organizations

Each year, the DoD Components sell defense articles and services to foreign governments and international organizations, primarily under the provision of the "Arms Export Control Act of 1976". Under the provision of the Act, the Department has authority to sell defense articles and services to foreign countries and international organizations, generally at no profit or loss to the U.S. Government. Customers may be required to make payments in advance.

### 1.I. Funds with the U.S. Treasury

The Corps' financial resources are maintained in U.S. Treasury accounts. The majority of cash collections, disbursements, and adjustments are processed worldwide at the Defense Finance and Accounting Service (DFAS) and Military Services and the USACE disbursing stations, as well as the Department of State financial service centers. Each disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, electronic transfers, interagency transfers and deposits.

In addition, the DFAS centers and the USACE Finance Center submit reports to the Department of the Treasury, by appropriation, on interagency transfers, collections received and disbursements issued. The Department of the Treasury then records this information to the applicable Fund Balance with Treasury (FBWT) account maintained in the Treasury's system. Differences between the Corps recorded balance in the FBWT accounts and Treasury's FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at Note 3. Differences between accounting offices' detail-level records and Treasury's FBWT accounts are disclosed in Note 21.B, specifically, differences caused by in-transit disbursements and unmatched disbursements (which are not recorded in the accounting offices' detail-level records).

### 1.J. Foreign Currency

The Corps conducts operations overseas. Foreign Currency fluctuations require adjustment to the original obligation amount at the time of payment. These currency fluctuations are not separately identified.

### 1.K. Accounts Receivable

As presented in the Balance Sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. The Department does not recognize an allowance for estimated uncollectible amounts from other federal agencies. Claims against other federal agencies are to be resolved between the agencies. Material disclosures are provided at Note 5.

### 1.L. Loans Receivable. As Applicable.

Not applicable.

### 1.M. Inventories and Related Property

Inventories are reported at approximate historical cost based on a moving weighted average that is based on actual cost divided by quantity. A perpetual record of inventory is maintained in CEFMS to allow for recomputation of the average unit cost as new receipts are recorded.

The related property portion of the amount reported on the Inventory and Related Property line includes operating materials and supplies (OM&S). The OM&S are valued at standard purchase price. For the most part, the Department is using the consumption method of accounting for OM&S, as defined in the SFFAS No. 3, "Accounting for Inventory and Related Property" as material that has not been issued to the end user. Once OM&S is issued, the material is expensed. Material disclosures related to inventory and related property are provided at Note 9.

In addition, past audit results identified uncertainties about the completeness and existence of quantities used to produce the reported values. Material disclosures related to inventory and related property are provided at Note 9.

### 1.N. Investments in U.S. Treasury Securities

Investments in U. S. Government securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the effective interest rate method or other method if similar results are obtained. The Corps' intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities, because in the majority of cases, they are held to maturity. Amounts reported reflect the value of investments in the South Dakota Terrestrial Wildlife Habitat Restoration, Inland Waterways and Harbor Maintenance Trust Fund accounts, which are managed by the Treasury Department. Material disclosures are provided at Note 4.

### 1.O. General Property, Plant and Equipment

General property, plant, and equipment (PP&E) assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of 2 or more years, and when the acquisition cost equals \$25,000 (one exception is all buildings and structures related to hydro- power projects are capitalized regardless of cost.) During 2003 the Corps increased its buildings and structures threshold to \$25K (from \$0) for all Civil Works Appropriations with the exception of Revolving Fund and Power Marketing Agency (PMA) assets. All Civil Works Appropriations Buildings and Structures currently capitalized under \$25K (excluding Revolving Fund and PMA) were expensed in FY 2003 and removed from Corps of Engineers Financial Management System (CEFMS). Starting in FY 2004 all Civil Works Buildings and Structures over \$25K will be expensed except for PMA assets.

Due to the change in policy (increasing the Buildings and Structures threshold) the Corps expensed about 17,760 buildings and structures valued at about \$63,261 thousand during FY 2003.

All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.

The Corps of Engineers is in the process of conducting a study to determine the proper supported value of their Land. This is due to a lack of supporting documentation for older Land administrative costs.

When it is in the best interest of the government, the Corps provides to contractors government property necessary to complete contract work. Such property is either owned or leased by the Corps, or purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&E exceeds the DoD capitalization threshold, such PP&E should be included in the value of General PP&E reported on the Corps' Balance Sheet. The Department completed a study that indicates that the value of General PP&E above the DoD capitalization threshold and not older than the DoD Standard Recovery Periods for depreciation, and that is presently in the possession of contractors, is not material to the Department's financial statements. Regardless, the Department is developing new policies and a contractor reporting process that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, the Corps currently reports only government property in the possession of contractors that is maintained in the Corps property systems.

To bring the Corps into compliance with federal accounting standards, the Department has issued new property accountability and reporting regulations that require the

DoD Components to maintain, in DoD Component property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with federal accounting standards.

The DoD Capitalization threshold is \$100K and the Corps is in process of requesting Official exception from that policy.

Material disclosures are provided at Note 10.

### 1.P. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as an asset on the Balance Sheet. Advances and prepayments are recognized as expenditures and expenses when the related goods and services are received.

### 1.Q. Leases

Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease) the Corps records the applicable asset and liability if the value equals or exceeds the current DoD capitalization threshold. The Corps records the amounts as the lesser of the present value of the rental and other lease payments during the lease term (excluding that portion of the payments representing executory costs paid to the lessor) or the asset's fair value. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses as payments are made over the lease term.

### 1.R. Other Assets

The Corps conducts business with commercial contractors under two primary types of contracts-fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the Corps provides financing payments. One type of financing payment that the Corps makes, for real property, is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line and in Note 10, General PP&E, Net.

In addition, based on the provision of the Federal Acquisition Regulation, the Corps makes financing payments under fixed price contracts that are not based on a percentage of completion. The Corps reports these financing payments as advances or prepayments in the "Other Assets" line item. The Corps treats these payments as advances or prepayments because the Corps becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the Corps is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the Corps for the full amount of the advance.

DoD has completed a review of all applicable federal accounting standards; applicable public laws on contract financing; Federal Acquisition Regulation Parts 32, 49, and 52; and the OMB guidance in 5 Code of Federal Regulations Part 1315, "Prompt Payment." DoD concluded that SFFAS No. 1 does not fully or adequately address the subject of progress payment accounting and is considering what further action is appropriate.

### 1.S. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," defines a contingency as an existing condition, situation, or set of circumstances that

involves an uncertainty as to possible gain or loss to the Corps. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when a past event or exchange transaction has occurred, a future loss is probable and the amount of loss can be reasonably estimated.

Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility that a loss or additional loss will be incurred. Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, possible claims and assessments. The Corps' loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as ship and vehicle accidents, property or environmental damages, and contract disputes.

#### 1.T. Accrued Leave

Civilian annual leave and military leave that have been accrued and not used as of the balance sheet date are reported as liabilities. The liability reported at the end of the fiscal year reflects current pay rates.

#### 1.U. Net Position

Net Position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which legal liabilities for payments have not been incurred.

Cumulative results of operations represents the difference, since inception of an activity, between expenses and losses and financing sources (including appropriations, revenue, and gains). Beginning with FY 1998, this included the cumulative amount of donations and transfers of assets in and out without reimbursement.

#### 1.V. Treaties for Use of Foreign Bases

The Corps has no existing treaties for use of foreign bases.

#### 1.W. Comparative Data

The Financial Statements and accompanying Notes to the Financial Statements report the financial position and results of operations for FY2003. Financial statement fluctuations greater than 2 percent of total assets on the Balance Sheet and/or greater than 10 percent between FY2002 and FY2003 are explained within the Notes to the Financial Statements.

#### 1.X. Unexpended Obligations

The Corps records obligations for goods and services that have been ordered but not yet received. No liability for payment has been established in the financial statements because goods/services have yet to be delivered.



## Note 2. Nonentity and Entity Assets

### As of September 30

(Amounts in thousands)

#### 1. Intra-governmental Assets:

- A. Fund Balance with Treasury
- B. Investments
- C. Accounts Receivable
- D. Other Assets
- E. Total Intra-governmental Assets

	2003			2002
	Nonentity	Entity	Total	Nonentity Assets
A. Fund Balance with Treasury	\$6,865	\$2,588,857	\$2,595,722	\$41,280
B. Investments	0	2,478,454	2,478,454	0
C. Accounts Receivable	0	423,775	423,775	0
D. Other Assets	0	0	0	0
E. Total Intra-governmental Assets	\$6,865	\$5,491,086	\$5,497,951	\$41,280
2. Non-Federal Assets:				
A. Cash and Other Monetary Assets	\$1,278	\$0	\$1,278	\$817
B. Accounts Receivable	1,871,575	63,992	1,935,567	915,452
C. Loans Receivable	0	0	0	0
D. Inventory & Related Property	0	62,605	62,605	0
E. General Property, Plant and Equipment	0	30,909,055	30,909,055	0
F. Investments	0	0	0	0
G. Other Assets	0	0	0	0
H. Total Non-Federal Assets	\$1,872,853	\$31,035,652	\$32,908,505	\$916,269
3. Total Assets:	\$1,879,718	\$36,526,738	\$38,406,456	\$957,549

#### 4. Other Information:

Asset accounts are categorized either as entity or nonentity. Entity accounts consist of resources that the agency has the authority to use, or when management is legally obligated to use funds to meet entity obligations. Nonentity accounts are assets that are held by an entity, but are not available for use in the operations of the entity.

#### Composition of Other Nonentity Assets

Non-federal nonentity accounts receivable represents all current and non-current receivables due from non-federal sources. Non-entity receivables include \$878,276 thousand in long-term receivables due from state and local municipalities for water storage contracts, \$45,131 thousand in current receivables due from state and local municipalities for water storage, \$946,746 thousand in accrued interest receivable, \$1,828 thousand in penalties, fines and administrative fees receivable, and \$1,600 thousand in long-term receivable for hydraulic mining. The additional \$876 thousand represents amount due from the leasing of land acquired for flood control purposes. Non-entity receivables are recorded in unavailable receipt accounts and funds will be returned to Treasury when collected. The allowance for doubtful accounts totals \$2,882 thousand.

Other non-federal entity assets are comprised of \$24,894 thousand in assets awaiting disposal and \$10,429 thousand in cultural or archeologically significant assets.

Intra-governmental Non-Entity Fund Balance with Treasury consists of amounts collected into deposit, suspense and budget clearing accounts.

Line 2A - The amount on Line 2A includes \$4 thousand in imprest funds. \$768 thousand in Disbursing Officer's cash, and \$506 thousand in foreign currency, as listed in Note 7.

### Note Reference

*For Additional Line Item discussion, see:*

Note 3, Fund Balance with Treasury

Note 4, Investments

Note 5, Accounts Receivable

Note 6, Other Assets

Note 7, Cash and Other Monetary Assets

Note 9, Inventory and Related Property

Note 10, General PP&E, Net

## Note 3. Fund Balance with Treasury

### As of September 30

(Amounts in thousands)

#### 1. Fund Balances:

- A. Appropriated Funds
- B. Revolving Funds
- C. Trust Funds
- D. Other Fund Types
- E. Total Fund Balances

	2003	2002
A. Appropriated Funds	\$1,127,663	\$1,177,288
B. Revolving Funds	990,006	902,533
C. Trust Funds	67,482	59,954
D. Other Fund Types	410,571	404,182
E. Total Fund Balances	<u>\$2,595,722</u>	<u>\$2,543,957</u>

#### 2. Fund Balances Per Treasury Versus Agency:

- A. Fund Balance per Treasury
- B. Fund Balance per USACE
- C. Reconciling Amount

A. Fund Balance per Treasury	\$2,530,007	\$2,484,784
B. Fund Balance per USACE	2,595,722	2,543,957
C. Reconciling Amount	<u>(\$65,715)</u>	<u>(\$59,173)</u>

### 3. Explanation of Reconciliation Amount:

Fund Balance per USACE includes \$65,728 thousand cash reported by Treasury for Inland Waterways and Harbor Maintenance Trust Funds, for which the Corps is identified as the lead agency for reporting.

Funds Balance per USACE also includes disbursements of \$12 thousand that were not reported to Treasury until October 2003.

### 4. Other Information Related to Fund Balance with Treasury:

Borrowing Authority Fund Balance with Treasury was erroneously reported as appropriated funds in FY 2002. It should have been reported as Other Fund Types. The FY 2002 column Line 1.A. is overstated and Line 1.D. is understated by \$773 thousand.

Fund Balance per USACE includes \$40,304 thousand in transfer appropriations that were not reported by the Corps in the Treasury FACTS II System. Those transfer appropriations are reported by the parent agencies on the FMS 2108. The parent agencies are Department of Energy, Department of Transportation, and Department of Commerce. According to the Treasury Financial Manual, Part 2, Chapter 4000, Federal Agencies' Centralized Trial-Balance System, paragraph 4030.60, if an allocation transfer is material to the child's financial statements, the child should report the activity relating to the allocation in all of its financial statements, except the Statement of Budgetary Resources. The Corps has determined that these balances are material and have included them in all of our financial statements.

Other Fund types consists of \$6,865 thousand in deposit, suspense and clearing accounts that are not available to finance the Corps' activities, \$645 thousand in borrowing authority, and \$388,451 thousand in contributed funds. The \$14,609 thousand in the suspense account established to finance Washington Aqueduct operations is also included in this balance.

There are no restrictions for future use of unobligated balance.

The Funds Balance with Treasury line does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 1, paragraph 37 "Accounting for Selected Assets and Liabilities."

#### **Fluctuations**

Line 1C. The increase is for excise taxes collected by Treasury for the Inland Waterways and Harbor Maintenance Trust Funds. The funds have not been invested yet by Treasury. The Corps is the lead agency for reporting these two trust funds.

Balance Sheet Line 1.A.1.c. Funds Balance with Treasury, Non-Entity Other. In FY 2002, \$20,713 thousand in funds received for work to be performed on the Washington Aqueduct were erroneously reported as non-entity funds. These funds are entity funds. The remaining difference is due to a reduction of the budget clearing account. Litigation related to a collection in the budget clearing account was resolved and \$13,000 thousand was disbursed from the account.

#### **Note Reference**

*Note Disclosure 1.I.* - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Funds with the U.S. Treasury.

Note 18 for Status of Unexpended Balance.

## Note 4. Investments

As of September 30 (Amounts in thousands)	2003				2002
	Cost	Amortization Method	Amortized (Premium/ Discount)	Investments, Net	Market Value Disclosure
<b>1. Intra-governmental Securities:</b>					
A. Marketable	\$0	Interest	\$0	\$0	\$0
B. Non-Marketable, Par Value	0	Interest	0	0	0
C. Non-Marketable, Market-Based	2,503,585	Effective Interest	(36,814)	2,466,771	2,505,019
D. Subtotal	\$2,503,585		(\$36,814)	\$2,466,771	\$2,505,019
E. Accrued Interest	\$11,683			\$11,683	\$11,683
F. Total Intragovernmental Securities	\$2,515,268		(\$36,814)	\$2,478,454	\$2,516,702
<b>2. Other Investments:</b>	\$0		\$0	\$0	\$0

### 3. Other Information:

Investments for the Inland Waterways, Harbor Maintenance, and South Dakota Terrestrial Wildlife Habitat Restoration Trust Funds are reported by the Treasury and included in U.S. Army Corps of Engineers' Financial Statements. Investment amounts include \$392,809 thousand in Inland Waterways, \$2,032,558 thousand in Harbor Maintenance and \$53,087 thousand in the South Dakota Terrestrial Wildlife account. Investments include \$285,496 thousand in one-day certificates and \$2,181,275 thousand in bonds and notes. See Note 3 for further discussion of Inland Waterways and Harbor Maintenance Trust Funds.

It is the intent to hold investments until maturity unless they are needed to sustain operations. Provisions are not made for unrealized gains or losses on these securities. The Trust Funds use the same method that conforms to the prevailing practice in the financial community to determine the amortized book value of investments currently held and the related effective interest yield on investments. These calculated yields agree with yields published in the security tables of U. S. Treasury securities.

These types of investments are recorded at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment. Investment decisions for these funds are made by the managing entity, in this case the Department of the Treasury.

The Department of the Treasury also provides the investment market value based on the bid price provided by the Federal Reserve Bank of New York on September 30, 2003.

### Note Reference

See Note Disclosure 1.N. - Investments in U. S. Treasury for additional DoD policies governing Investments in U.S. Treasury Securities.

See Note 21A for further discussion of Trust Funds.

## Note 5. Accounts Receivable

As of September 30 (Amounts in thousands)	2003			2002
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
<b>1. Intra-governmental Receivables:</b>	\$423,775	N/A	\$423,775	\$528,150
<b>2. Non-Federal Receivables (From the Public):</b>	\$1,938,745	(\$3,178)	\$1,935,567	\$922,931
<b>3. Total Accounts Receivable:</b>	\$2,362,520	(\$3,178)	\$2,359,342	\$1,451,081

### 4. Allowance method:

The method of calculating the allowance for estimated uncollectibles is based on the cumulative balance of delinquent public receivables aged in accordance with current USACE policy. The calculation was performed automatically in the Corps of Engineers Financial Management System.

The Code of Federal Regulations (4CFR 101) prohibits the write-off of receivables from another federal agency. As such, no allowance for estimated uncollectible amounts is recognized for these receivables.

### 5. Other information:

#### Elimination Adjustments

The Corps was able to compare its accounts receivable balances with the accounts payable balances of its intragovernmental trading partners. No material differences were identified.

#### Intragovernmental Receivables Over 180 Days

The amount of intragovernmental receivables over 180 days old is \$13,174 thousand. No intragovernmental receivables have been submitted to the General Accounting office for opinion.

#### Public Receivables Over 180 Days

The amount of public receivables over 180 days old is \$45,632 thousand. Receivables with the public include \$29,175 thousand in accrued interest on delinquent receivables.

#### Nonfederal Refunds Receivable

The amount of public receivables includes \$159 thousand in refunds receivable.

#### Other Disclosures

Public receivables include \$45,047 thousand in current and \$878,276 thousand in long-term accounts receivable (principal) associated with water storage contracts, \$946,746 thousand in accrued interest receivable, and \$1,828 thousand in penalties, fines, and administrative fees receivable. Public receivables also includes \$1,600 thousand in long-term receivable for hydraulic mining and \$876 thousand due from the leasing of land acquired for flood control purposes, and \$55,936 thousand due from the D.C. Public Schools and Department of Housing. The remaining \$8,436 thousand is for accounts receivable.

Civil works water storage contracts include 167 projects with municipal and industrial water supply as an authorized purpose. It supplies water to 10 million people in 115 cities.

The amount of Public Receivables on the Treasury Report on Receivables Due From the Public is \$2,901 thousand greater than the balance of public receivables reported on the balance sheet. The difference is attributed to the allowance for estimated uncollectibles of \$3,178 thousand less the amount of receivables of \$277 thousand reclassified from public to intragovernmental after the completion of the Report on Receivables Due from the Public.

Trust fund receivables for currently invested balances include \$327,164 thousand for the Coastal Wetlands Restoration Trust Fund and \$7,389 thousand for the Inland Waterways Trust Fund. To accommodate cash management practices, funds will remain invested until needed for disbursement. The budget authority is realized and obligations may be incurred before the actual transfer of funds.

### Fluctuations

Line 1. The Corps aggressively pursued collection of intragovernmental receivables in FY 2003. The largest amounts collected were from Environmental Protection Agency and Federal Emergency Management Agency. Of considerable impact were General Services Administration, U.S. Fish and Wildlife, Department of Energy (several bills for small amounts), Department of Interior and Department of Agriculture (few bills for large amounts).

Line 2. The increase in the amount of public receivables is due to the reporting of the non-current portion of the interest receivable for \$879,952 thousand for water storage contracts. This amount was not reported last year.

### Note Reference

See *Note Disclosure I.K.* - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Accounts Receivable.

## Note 6. Other Assets

### As of September 30

(Amounts in thousands)

#### 1. Intra-governmental Other Assets:

- A. Advances and Prepayments
- B. Other Assets
- C. Total Intra-governmental Other Assets

#### 2. Non-Federal Other Assets:

- A. Outstanding Contract Financing Payments
- B. Other Assets (With the Public)
- C. Total Non-Federal Other Assets

#### 3. Total Other Assets:

	2003	2002
A. Advances and Prepayments	\$0	\$0
B. Other Assets	0	0
C. Total Intra-governmental Other Assets	\$0	\$0
A. Outstanding Contract Financing Payments	\$0	\$0
B. Other Assets (With the Public)	0	77
C. Total Non-Federal Other Assets	\$0	\$77
3. Total Other Assets:	\$0	\$77

#### 4. Other Information Related to Other Assets:

### Fluctuations

Line 2.C. In FY 2002 the Corps had advances to the public recorded as other assets. These advances have been reduced to zero in FY 2003.

### Note Reference

See Note Disclosure I. R. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Other Assets.

## Note 7. Cash and Other Monetary Assets

### As of September 30

(Amounts in thousands)

	2003	2002
1. Cash	\$772	\$654
2. Foreign Currency (non-purchased)	506	163
3. Other Monetary Assets	0	0
4. Total Cash, Foreign Currency, & Other Monetary Assets	\$1,278	\$817

### 5. Other Information Pertaining to Entity Cash & Other Monetary Assets:

#### Definitions

**Cash** - The total of cash resources under the control of the Corps which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and cash held in revolving funds which will not be transferred into the U.S. Government General Fund.

**Foreign Currency** - consists of the total U.S. dollar equivalent of non-purchased foreign currencies held in foreign currency fund accounts. Non-purchased foreign currency is limited to the Treasury Index 97X7000 fund account (formerly called FT accounts).

**Other Monetary Assets** - includes gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. This category is principally for use by the Department of the Treasury.

#### Other Corps Disclosures

Cash consists of \$768 thousand in Disbursing Officers' Cash and \$4 thousand in Imprest Funds. Disbursing Officer's Cash differs from the Statement of Accountability by \$220 thousand due to erroneous reporting on the Statement of Accountability. The reporting errors will be corrected on the next reporting cycle.

The Corps translates foreign currency to U. S. dollars utilizing the Department of the Treasury Prevailing Rate of Exchange. This rate is the most favorable rate that would legally be available to the U. S. Government's acquisition of foreign currency for its official disbursements and accommodation of exchange transactions.

### Fluctuations

Line 1. The increase in Disbursing Officers cash is due to an increase in travel advances issued and receivables related to travel advances. Travel credit cards are being phased out for employees who do not travel frequently.

Line 2. The increase in cash is due primarily to an increase in foreign currency as a result of routine business practices. The Corps Finance Center now disburses for Japan and Korea Districts. Foreign currency is now bought in bulk.

**Note Reference**

*See Note Disclosure I. J.- Significant Accounting Policies*, for additional discussion on financial reporting requirements and DoD policies governing Foreign Currency.

**Note 8. A. Direct Loan and/or Loan Guarantee Programs**

**1. Direct Loan and/or Loan Guarantee Programs:** The entity operates the following direct loan and/or Loan guarantee program(s):

**Military Housing Privatization Initiative**

Armament Retooling & Manufacturing Support Initiative

**2. Other Information:**

Not Applicable

The Corps participates in Military Privatization Initiatives only from our military funded accounts. Therefore, these Civil Works financial statements reflect no activity in this area.

**Note 8.B. Direct Loans Obligated After FY 1991**

Not applicable

**Note 8.C. Total Amount of Direct Loans Disbursed**

Not applicable

**Note 8.D. Subsidy Expense for Post-1991 Direct Loans**

Not applicable

**Note 8.E. Subsidy Rate for Direct Loans**

Not applicable

**Note 8.F. Schedule for Reconciling Subsidy Cost Allowance Balances for**

Post-1991 Direct Loans

Not applicable



Note 8.G. Defaulted Guaranteed Loans from Post-1991 Guarantees

Not applicable

Note 8.H. Guaranteed Loans Outstanding

Not applicable

Note 8.I. Liability for Post-1991 Loan Guarantees, Present Value

Not applicable

Note 8.J. Subsidy Expense for Post-1991 Loan Guarantees

Not applicable

Note 8.K. Subsidy Rate for Loan Guarantees

Not applicable

Note 8.L. Schedule for Reconciling Loan Guarantee Liability Balances for

Post-1991 Loan Guarantees

Not applicable

Note 8.M. Administrative Expense

Not applicable

Note 9. Inventory and Related Property

As of September 30

(Amounts in thousands)

1. Inventory, Net (Note 9.A.)

2. Operating Materials & Supplies, Net (Note 9.B.)

3. Stockpile Materials, Net (Note 9.C.)

4. Total

2003	2002
62,570	63,037
35	102
0	0
62,605	63,139

## Note 9.A. Inventory, Net

### As of September 30

(Amounts in thousands)

#### 1. Inventory Categories:

- A. Available and Purchased for Resale
- B. Held for Repair
- C. Excess, Obsolete, and Unserviceable
- D. Raw Materials
- E. Work in Process
- F. Total

	2003			2002	
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	Valuation
A. Available and Purchased for Resale	\$87,984	(\$46,969)	\$41,015	\$40,548	0
B. Held for Repair	0	0	0	0	
C. Excess, Obsolete, and Unserviceable	11	0	11	0	0
D. Raw Materials	0	0	0	0	
E. Work in Process	21,544	0	21,544	22,489	0
F. Total	\$109,539	(\$46,969)	\$62,570	\$63,037	

#### Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses  
 NRV = Net Realizable Value

SP = Standard Price

AC = Actual Cost

O = Other

#### 2. Restrictions of Inventory Use, Sale, or Disposition:

Inventory may be sold to foreign, state and local governments, private parties and contractors in accordance with current policies and guidance or at the direction of the U. S. President. Otherwise, there are no restrictions on the use, sale or disposition of inventory.

#### 3. Other Information:

##### Definitions

**Inventory Available and Purchased for Resale** includes consumable spare and repair parts and repairable items owned and managed by the Department. Material available and purchased for resale includes material held due to a managerial determination that it should be retained to support military or national contingencies.

**Inventory Held for Repair** is damaged inventory that requires repair to make suitable for sale. Many of the inventory items are more economical to repair than to procure. In addition, because the Department often relies on weapon systems and machinery no longer in production, the Department supports a process that encourages the repair and rebuilding of certain items. This repair cycle is essential to maintaining a ready, mobile, and armed military force.

**Excess, Obsolete, and Unserviceable** inventory consists of scrap materials or items that cannot be economically repaired and are awaiting disposal. Potentially reusable material, presented in previous years as "Excess, Obsolete and Unserviceable," is included in "Held for Use" or "Held for Repair" categories according to its condition.

**Work-in-Process** balances include costs related to the production or servicing of items, including direct material, direct labor, applied overhead and other direct costs. Work-in-Process also includes the value of finished products or completed services pending the submission of bills to the customer. The Work-in-Process designation may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other Government plants for accrued costs of end-items of material ordered, but not delivered.

### General Composition of Inventory

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. "Inventory held for Current Sale" is that expected to be sold in the normal course of operations. "Excess Inventory" is that which exceeds the demand expected in the normal course of operations and which does not meet management's criteria to be held in reserve for future sale. "Obsolete Inventory" is that which no longer is needed due to changes in technology, laws, customs or operations. "Unserviceable Inventory" is damaged inventory that is more economical to dispose of than to repair. Work in Process includes associated labor, applied overhead and supplies used in the deliver of services.

The inventory data reported on the financial statements is derived from the Corps of Engineers Financial Management System (CEFMS). CEFMS is a comprehensive system that is designed to capture and maintain historical cost data necessary to fully comply with the Statement of Federal Financial Accounting Standards Number 3, "Accounting for Inventory and Related Property.

The inventory valuation method is based on a moving weighted average based on actual cost divided by quantity. A perpetual record of inventory is maintained to allow for recomputation of the average unit cost as new receipts are recorded.

For regulatory discussion on Inventory, Net, see DoD FMR, Volume 6B, chapter 10, paragraph 1011.

### Note Reference

See *Note Disclosure I. M.* - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Inventory and related Property.

## Note 9.B. Operating Materials and Supplies, Net

As of September 30 (Amounts in thousands)	2003			2002	Valuation Method
	Value	Allowance	OM&S, Net	OM&S, Net	
<b>1. OM&amp;S Categories:</b>					
A. Held for Use	\$35	\$0	\$35	\$102	0
B. Held for Repair	0	0	0	0	
C. Excess, Obsolete, and Unserviceable	0	0	0	0	
D. Total	\$35	\$0	\$35	\$102	

### 2. Restrictions on OM&S:

There are no restrictions on operating materials and supplies. The valuation method is based on a moving weighted average based on actual cost divided by quantity.

### 3. Other Information:

For regulatory discussion on OM&S, see DoD FMR, volume 6B, Chapter 10, paragraph 101107.

### Fluctuations

The decrease in Operating Materials and Supplies is attributed to a depletion of the metered mail account at Fort Worth District.

**Note Reference**

See Note Disclosure 1. M. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Inventory and related Property.

**Note 9.C. Stockpile Materials, Net**

Not applicable

**Note 10. General PP&E, Net**

As of September 30 (Amounts in thousands)	2003			2002	
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
<b>1. Major Asset Classes:</b>					
A. Land	N/A	N/A	\$8,131,547	N/A	\$8,131,547
B. Buildings, Structures, and Facilities	S/L	2 - 100	\$31,076,251	(\$12,796,064)	\$18,280,187
C. Leasehold Improvements	S/L	lease term	26,105	(8,984)	17,121
D. Software	S/L	5-Feb	56,058	(32,157)	23,901
E. Equipment	S/L	5 - 100	1,210,536	(577,810)	632,726
F. Assets Under Capital Lease [1]	S/L	lease term	0	0	0
G. Construction-in-Progress	N/A	N/A	3,788,250	N/A	3,788,250
H. Other			35,323	0	35,323
I. Total General PP&E			\$44,324,070	(\$13,415,015)	\$30,909,055
					\$34,204,467

**2. Other Information:****General PP&E - Significant Amount of Assets**

Intangible assets totaling \$2.1 billion were reclassified as land. These assets are comprised of historical costs associated with the acquisition of land in conjunction with power projects. Costs were originally classified as intangible assets in order to comply with Federal Energy Regulatory Commission guidelines on cost recovery. However, the decision was made that these costs were improperly classified in accordance with SFFAS No. 6, "Accounting for Property, Plant and Equipment", as they were part of the initial acquisitions cost of the land and should have been classified as such. We have also made a reversing entry for current year amortization in our statements to properly reflect the effect of the transfer into land (category 00) where accumulated depreciation is inappropriate. There is a significant amount reported on land, buildings and structures, and construction in progress that originated in COEMIS (Corps of Engineers Management Information System) that source documentation is not available to support amounts. The Corps and DoDIG are continuing to work toward agreement on a baseline for these older items.

Due to the change in policy (increasing Buildings and Structures threshold), the Corps expensed about 17,760 buildings and structures valued at about \$63,261 thousand during FY 2003. The service life for our multiple purpose project assets are derived from guidance provided by the Federal Energy Regulatory Commission based on industry standards. The Power Marketing Administration related assets make up \$7,560,155 thousand of the book value of the Corps Property, Plant and Equipment.

Corps policy requires all capital improvements to real property, occupied but not owned by the Corps, with a useful life of two or more years and cost of \$25,000 to be capitalized as leasehold improvements.

For regulatory discussion on General PP&E, Net, see DoD FMR, Volume 6B, Chapter 10, paragraph 1012.

### Fluctuations

Line 1D - Software: The net book value of software decreased primarily due to an increase in the amount of amortization. The monthly amount of amortization increased due to new assets placed in service and a change to the useful life of the Corps' Financial Management System. In addition, adjustments for approximately \$ 3,000 thousand were made due to the change in the useful life of the financial management software system and a change to the placed in service date for the Corps' Water Management System.

Line 1G - Construction-in-Progress: Cost share and other construction in progress projects were transferred and recorded as a loss.

Line 1H - Other: Other assets consist of assets awaiting disposal. Approximately \$13,263 thousand in assets were disposed of during FY 2003.

### Note Reference

*See Note Disclosure 1.O. - Significant Accounting Policies* for additional discussion on financial reporting requirements and DoD policies governing General Property, Plant and Equipment (PP&E).

See Note 20 for further discussion on adjustment for construction-in-progress.

## Note 10.A. Assets Under Capital Lease

Not applicable

## Note 11. Liabilities Not Covered and Covered by Budgetary Resources

As of September 30 (Amounts in thousands)	2003			2002
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total	Not Covered by Budgetary Resources
<b>1. Intra-governmental Liabilities:</b>				
A. Accounts Payable	\$92,764	\$0	\$92,764	\$0
B. Debt	395	16,991	17,386	24,113
C. Environmental Liabilities	0	0	0	0
D. Other	1,907,689	188,791	2,096,480	185,293
E. Total Intra-governmental Liabilities	\$2,000,848	\$205,782	\$2,206,630	\$209,406

As of September 30 (Amounts in thousands)	2003			2002
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total	Not Covered by Budgetary Resources
<b>2. Non-Federal Liabilities:</b>				
A. Accounts Payable	\$568,108	\$0	\$568,108	\$0
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	0	0	0	0
C. Environmental Liabilities	0	0	0	0
D. Loan Guarantee Liability	0	0	0	0
E. Other Liabilities	642,461	62,923	705,384	0
F. Total Non-Federal Liabilities	\$1,210,569	\$62,923	\$1,273,492	\$0
<b>3. Total Liabilities:</b>	\$3,211,417	\$268,705	\$3,480,122	\$209,406

#### 4. Other Information:

##### Definitions

##### Liabilities Not Covered by Budgetary Resources

Liabilities that are not considered covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass the following:

- New budget authority.
- Spending authority from offsetting collections (credited to an appropriation or fund account).
- Recoveries of unexpired budget authority through downward adjustments of prior-year obligations.
- Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior-year balances during the year.
- Borrowing authority or permanent indefinite appropriations, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency first having to be met.

##### Liabilities Covered by Budgetary Resources

Resources incurred by the reporting entity which are covered by realized budget resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority, but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include the following:

- New budget authority.
- Spending authority from offsetting collections (credited to an appropriation or fund account).

- Recoveries of unexpired budget authority through downward adjustments of prior-year obligations.
- Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior-year balances during the year.
- Borrowing authority or permanent indefinite appropriations, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency first having to be met.

### **Other Corps Information**

Intragovernmental other liabilities (not covered by budgetary resources) include judgment fund liabilities in the amount of \$145,907 thousand and the FY 2003 Workmen's Compensation liabilities in the amount of \$42,884 thousand.

Intragovernmental other liabilities (covered) includes \$1,758,227 thousand representing future revenue from long term water storage contracts and \$1,500 thousand representing future revenue from long term hydraulic mining contracts. Once collected, these monies are returned to the Department of Treasury's general fund receipt account and have no budgetary impact. This category also includes \$21,207 thousand in employer contributions and payroll taxes, \$768 thousand in Disbursing Officer Cash, \$114,516 thousand to offset interest receivables and account receivables which, when collected, will be returned to Treasury, \$510 thousand in the suspense account and \$10,959 thousand in unearned advances.

The Actuarial Liability for Federal Employee's Compensation Act (FECA) is not included. The Department of Labor is unable to furnish a figure for FECA liability specific to the Corps of Engineers.

Non-federal other liabilities (covered) includes \$443,414 thousand in accrued funded payroll and leave, \$40,739 thousand in contract holdbacks, \$110,265 thousand in unearned advances, \$40,982 thousand maintained to fund contingent liabilities arising from casualty losses and \$7,060 thousand in deposit fund and clearing account liabilities.

Non-federal other liabilities (not covered by budgetary resources) include \$62,923 thousand for the liability for contracts with continuation clause.

### **Fluctuations**

Line 1B. Liability for Debt: The liability for debt decreases as principal is steadily being reduced.

Line 1D. Other Intragovernmental Liabilities: The increase in other intragovernmental liabilities is due to the reporting of the long-term portion of the interest receivable for water storage contracts of \$879,952 thousand. This is the first year for reporting this liability.

Line 2E. Other Liabilities not Covered by Budgetary Resources: This amount increased due to the recording of a liability for contracts with continuation clauses. This amount was not reported in FY 2002.

**Note Reference**

For additional line item discussion, see:

Note 8, Direct Loans and/or Loan Guarantee Programs

Note 12, Accounts Payable

Note 13, Debt

Note 14, Environmental Restoration Liabilities and Environmental Disposal Liabilities

Note 15, Other Liabilities

Note 16, Commitments and Contingencies

Note 17, Military Retirement Benefits and Other Employment-Related Actuarial Liabilities

**Note 12. Accounts Payable**

As of September 30 (Amounts in thousands)	2003			2002
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
<b>1. Intra-governmental Payables:</b>	\$92,764	N/A	\$92,764	\$83,815
<b>2. Non-Federal Payables (to the Public):</b>	\$568,108	\$0	\$568,108	\$595,952
<b>3. Total</b>	<b>\$660,872</b>	<b>\$0</b>	<b>\$660,872</b>	<b>\$679,767</b>

**4. Other Information:**

Intragovernmental Accounts Payable consists of amounts owed to other federal agencies for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees are not applicable to intragovernmental payables. Non-Federal Payables (to the Public) are payments to nonfederal government entities.

The Corps has no known delinquent accounts payable, therefore no amount is reported for interest, penalties, and administrative fees. For the period ending September 30, 2003, the Corps paid \$557 thousand in interest, from Civil Works appropriations, on payments subject to the Prompt Payment Act.

The Corps was able to compare its accounts payable balance with the accounts receivable balances of its intra-departmental (DoD) trading partners. No material reconciling differences were identified.

**Fluctuations**

Line 1. Intra-governmental accounts payable includes \$7,389 thousand for the transfer of currently invested balances from the Treasury Department to the Inland Waterways Trust Fund. This is the first year for the reporting of the trust fund payable.

**Note Reference**

See *Note Disclosure I.G. - Significant Accounting Policies* for additional discussion on financial reporting requirements and DoD policies governing accounting for Intragovernmental Activities.



## Note 13. Debt

### As of September 30

(Amounts in thousands)

#### 1. Public Debt:

- A. Held by Government Accounts
- B. Held by the Public
- C. Total Public Debt

#### 2. Agency Debt:

- A. Debt to the Treasury
- B. Debt to the Federal Financing Bank
- C. Debt to Other Federal Agencies
- D. Total Agency Debt

#### 3. Total Debt:

#### 4. Classification of Debt:

- A. Intra-governmental Debt
- B. Non-Federal Debt
- C. Total Debt

	2003			2002
	Beginning Balance	Net Borrowings	Ending Balance	Ending Balance
A. Held by Government Accounts	N/A	N/A	N/A	N/A
B. Held by the Public	N/A	N/A	N/A	N/A
C. Total Public Debt	N/A	N/A	N/A	N/A
A. Debt to the Treasury	\$24,668	(\$7,282)	\$17,386	\$24,667
B. Debt to the Federal Financing Bank	0	0	0	0
C. Debt to Other Federal Agencies	0	0	0	0
D. Total Agency Debt	\$24,668	(\$7,282)	\$17,386	\$24,667
3. Total Debt:	\$24,668	(\$7,282)	\$17,386	\$24,667
A. Intra-governmental Debt			\$17,386	\$24,667
B. Non-Federal Debt			N/A	N/A
C. Total Debt			\$17,386	\$24,667

#### 5. Other Information:

During fiscal years 1997, 1998 and 1999, the Corps of Engineers executed three promissory notes totaling \$75,000 thousand with the Department of the Treasury. Funds provided were used for capital improvements to the Washington Aqueduct. Arlington County and Falls Church, Virginia and the District of Columbia provide funding to repay the debt. Actual drawdown of the funds has been made from the Treasury in the amount of \$74,896 thousand. Accrued interest payable at September 30, 2003 is \$395 thousand. During fiscal year 2003, actual drawdown of funds from the Treasury totals \$1,530 thousand. Principal repayments during fiscal year 2003 were \$8,653 thousand. Total principal repayments as of September 30, 2003 are \$57,905 thousand.

The difference from FY 2002 represents principal repayments towards liquidating the debt.

#### Note Reference

See Note Disclosure I. G. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Accounting for Intragovernmental Activities, Public Debt.

See Note 21A for further discussion on the Washington Aqueduct project.

## Note 14. Environmental Liabilities and Disposal Liabilities

Not applicable

## Note 15.A. Other Liabilities

**As of September 30**

(Amounts in thousands)

### 1. Intra-governmental:

- A. Advances from Others
- B. Deferred Credits
- C. Deposit Funds and Suspense Account Liabilities
- D. Resources Payable to Treasury
- E. Disbursing Officer Cash
- F. Nonenvironmental Disposal Liabilities:
  - (1) National Defense PP&E (Nonnuclear)
  - (2) Excess/Obsolete Structures
  - (3) Conventional Munitions Disposal
  - (4) Other
- G. Accounts Payable-- Cancelled Appropriations
- H. Judgement Fund Liabilities
- I. FECA Reimbursement to the Department of Labor
- J. Capital Lease Liability
- K. Other Liabilities
- L. Total Intra-governmental Other Liabilities

	2003			2002 Total
	Current Liability	Noncurrent Liability	Total	
A. Advances from Others	\$10,959	\$0	\$10,959	\$17,312
B. Deferred Credits	0	0	0	0
C. Deposit Funds and Suspense Account Liabilities	510	0	510	14,413
D. Resources Payable to Treasury	0	0	0	33,643
E. Disbursing Officer Cash	768	0	768	653
F. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
G. Accounts Payable-- Cancelled Appropriations	0	0	0	0
H. Judgement Fund Liabilities	145,907	0	145,907	144,641
I. FECA Reimbursement to the Department of Labor	16,693	26,191	42,884	40,652
J. Capital Lease Liability	0	0	0	0
K. Other Liabilities	135,723	1,759,729	1,895,452	895,630
L. Total Intra-governmental Other Liabilities	\$310,560	\$1,785,920	\$2,096,480	\$1,146,944

### 2. Non-Federal:

- A. Accrued Funded Payroll and Benefits
- B. Advances from Others
- C. Deferred Credits
- D. Loan Guarantee Liability
- E. Liability for Subsidy Related to Undisbursed Loans
- F. Deposit Funds and Suspense Accounts
- G. Temporary Early Retirement Authority
- H. Nonenvironmental Disposal Liabilities:
  - (1) National Defense PP&E (Nonnuclear)
  - (2) Excess/Obsolete Structures
  - (3) Conventional Munitions Disposal
  - (4) Other
- I. Accounts Payable--Cancelled Appropriations
- J. Accrued Unfunded Annual Leave
- K. Accrued Entitlement Benefits for Military Retirees and Survivors
- L. Capital Lease Liability
- M. Other Liabilities
- N. Total Non-Federal Other Liabilities

A. Accrued Funded Payroll and Benefits	\$443,414	\$0	\$443,414	\$388,375
B. Advances from Others	110,265	0	110,265	112,410
C. Deferred Credits	0	0	0	0
D. Loan Guarantee Liability	0	0	0	0
E. Liability for Subsidy Related to Undisbursed Loans	0	0	0	0
F. Deposit Funds and Suspense Accounts	7,060	0	7,060	6,524
G. Temporary Early Retirement Authority	0	0	0	0
H. Nonenvironmental Disposal Liabilities:				
(1) National Defense PP&E (Nonnuclear)	0	0	0	0
(2) Excess/Obsolete Structures	0	0	0	0
(3) Conventional Munitions Disposal	0	0	0	0
(4) Other	0	0	0	0
I. Accounts Payable--Cancelled Appropriations	0	0	0	0
J. Accrued Unfunded Annual Leave	0	0	0	0
K. Accrued Entitlement Benefits for Military Retirees and Survivors	0	0	0	0
L. Capital Lease Liability	0	0	0	0
M. Other Liabilities	144,645	0	144,645	83,467
N. Total Non-Federal Other Liabilities	\$705,384	\$0	\$705,384	\$590,776
<b>3. Total Other Liabilities:</b>	<b>\$1,015,944</b>	<b>\$1,785,920</b>	<b>\$2,801,864</b>	<b>\$1,737,720</b>

### 4. Other Information Pertaining to Other Liabilities:

## **Other Liabilities**

### **Intragovernmental**

The Corps of Engineers Civil Works Directorate has recognized 28 unfunded liabilities arising from Judgment Fund Contract Disputes Act settlement in accordance with the interpretation of Federal Financial Accounting Standards Number 2, Accounting for Treasury Judgment Fund Transactions.

Federal Employees' Workman's Compensation costs reflect cost incurred for income lost and medical costs for federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The costs are paid from the Federal Employees' Compensation Act (FECA). Fiscal year 2003 costs of \$16,693 thousand are reflected as a current liability.

Intra-governmental other liabilities (current) includes \$21,207 thousand for employer contributions and payroll taxes and \$114,516 thousand to offset interest and accounts receivables which, when collected, will be returned to Treasury. Intra-governmental other liabilities (noncurrent) represent future revenue of \$1,758,227 thousand from long term water storage and \$1,500 thousand from hydraulic mining contracts.

### **Non-Federal**

Non-federal other liabilities includes \$40,982 thousand to fund contingent liabilities arising from casualty losses. An additional \$40,739 thousand in contract holdbacks on construction-in-progress payments and \$62,923 thousand for unfunded accounts payable are also included.

## **Intragovernmental Reconciliations for Fiduciary Transactions**

With respect to the major fiduciary balances with the Office of Personnel Management (OPM) and the Department of Labor (DOL), the Corps was able to reconcile with the OPM and the DOL.

## **Fluctuations**

Line 1.A. Intragovernmental Advances from others decreased because work was completed and advances were earned.

Line 1.C. Deposit Funds and Suspense Account liabilities was reduced with the disposition of a disputed collection related to a water storage contract. Disposition of the collection was delayed pending the settlement of litigation.

Line 1.D. Resources Payable to Treasury was used in FY 2002 to record the offset to accounts receivable in receipt accounts. The receipts are collected into Treasury receipt accounts. Per audit recommendation, these liabilities are now reported in line 1K, Other Liabilities.

Line 1.E. The increase in the liability for Disbursing Officer Cash is attributed an increase in travel advances issued and receivables related to travel advances. Travel credit cards are being phased out for employees who do travel infrequently.

Line 1.K. The increase in other liabilities is due to the reporting of the offset for long-term interest receivables. Interest receivable and the corresponding liability were

not reported in FY 2002 and prior because the interest had not been earned yet. Per audit recommendation, we are now including the offset for interest receivable in the amount of \$881,926 thousand. Other Liabilities also increased due to the change in reporting resources payable to Treasury from line 1D.

Line 2.M. The increase in Non-Federal Other Liabilities is attributed to recording an unfunded liability for contracts with continuation clause. The continuation clause allows contractors to continue work without funds being obligated.

#### Note Reference

See Note Disclosure 1.S. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Contingencies and Other Liabilities.

### Note 15.B. Capital Lease Liability

Not applicable

### Note 16. Commitments and Contingencies

Disclosures Related to Commitments and Contingencies:

Proprietary contingencies are commonly referred to as contingent liabilities. The Corps of Engineers has thirty-four cases pending litigation, in which the relief requested is \$7.6 million or more. The Corps' Legal Counsel is of the opinion that it is "reasonably possible" that the outcome of the litigation will result in a loss. Since these cases fail to satisfy the criteria to record a contingent liability in accordance with the Federal Financial Accounting Standard Number 5, Accounting for Liabilities of the Federal Government, no amount is included in our financial statements.

#### Note Reference

See Note Disclosure 1.S. - Significant Accounting Policies for additional discussion on financial reporting requirements and DoD policies governing Contingencies and Other Liabilities.

### Note 17. Military Retirement Benefits and Other Employment Related Actuarial Liabilities

Not applicable

### Note 18. Unexpended Appropriations

**As of September 30**

(Amounts in thousands)

#### 1. Unexpended Appropriations:

- A. Unobligated, Available
- B. Unobligated, Unavailable
- C. Unexpended Obligations
- D. Total Unexpended Appropriations

	2003	2002
A. Unobligated, Available	\$381,759	\$694,450
B. Unobligated, Unavailable	8	8
C. Unexpended Obligations	255,079	369,982
D. Total Unexpended Appropriations	\$636,846	\$1,064,440

## 2. Other Information Pertaining to Unexpended Appropriations:

### Definitions

**Unexpended appropriations** are the amount of budget authority remaining for disbursement against current or future obligations.

**Unobligated balances** represent the cumulative amount of budgetary authority that has not been set aside to cover outstanding commitments and obligations.

Unobligated balances are classified as available or unavailable. Unobligated balances associated with appropriations expiring at fiscal year end remain available only for obligation adjustments until the account is closed.

**Unexpended obligations** represent funds that have been committed for goods that have not been received or services that have not been performed.

### Fluctuations

The variance in unexpended appropriations is due to the change in recording the amount of appropriated receipts from unavailable receipt accounts to the expenditure accounts. In prior years, these amounts in Special and Contributed Funds have been recorded as appropriations received, which updated unexpended appropriations. According to Treasury proforma entry A184, these amounts are to be recorded as transfers in. Transfers in do not update unexpended appropriations. An adjustment was made to remove the unexpended balances in Special Funds (\$78 thousand) and Contributed Funds (\$342,591 thousand) and report as transfers in.

Prior Year column total is less than Balance Sheet Line 5A prior year column by \$424 thousand. This was due to an unreconciled difference in the funds balance between Washington Aqueduct and Treasury for appropriation 96X6094. Budgetary accounts were adjusted in order to reconcile with Treasury FACTS II submission edits. This difference has been corrected in the current year.

## Note 19.A General Disclosures Related to the Statement of Net Cost

### Disclosures Related to the Statement of Net Cost

#### Statement of Net Cost

The Consolidated Statement of Net Cost (SoNC) in the federal government is unique because its principles are driven on understanding the net cost of programs and/or organizations that the federal government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and/or organization administered by a responsible reporting entity.

The amounts presented in the Statement of Net Cost are based on obligations, disbursements and accruals. The Corps records transactions on an accrual basis as required by generally accepted accounting principles.

#### Fluctuations and Abnormalities

Line 1B - Intragovernmental Earned Revenue increased this year due a change in our method of identifying eliminations for other Corps revenue for the revolving fund. The Corps developed system queries to identify trading partners for labor and other transactions paid from military and other civil appropriations. Revenue of \$532,270 thousand had previously been included in Level 3 intra-entity eliminations. Revenue from D.C. Public Schools in the amount of \$161,583 thousand was

previously recorded as intragovernmental because the source appropriation was Treasury Index 95. We have since received direction from Treasury that D.C. Public Schools is considered public.

Line 1D - Gross Costs with the Public also increased by \$1,606,247 thousand due to the change in our method of figuring eliminations for the revolving fund. In FY 2002 we reclassified revenue from our DoD trading partners (level 2) to Corps (level 3) because we could not identify the trading partners. As a result of this reclassification, we also had to eliminate a corresponding amount of expense at the Corps level. Costs were understated for FY 2002 for the revolving fund. During FY 2003 we developed system queries to identify DoD trading partners. Costs are more accurately stated in FY 2003. Costs also increased due to the recognition of losses associated with cost share and other construction in progress projects of \$1,498,356 thousand. We also incurred additional costs of \$62,923 thousand related to the recognition of the liability for contracts with continuation clauses. The liability and costs were not recognized in FY 2002. Costs associated with the transfer appropriations also increased by \$67,743 thousand due to an increase in funding.

Line 1E - Earned Revenue with the Public increased due a reclassification of revenue of \$161,583 thousand from intragovernmental to public related to the D.C. Public Schools. The revenue was previously recorded as intragovernmental because the source appropriation was Treasury Index 95. We have since received direction from Treasury that D.C. Public Schools is considered public.

#### Note 19.B. Gross Cost and Earned Revenue by Budget Functional Classification

Not applicable

#### Note 19.C. Gross Cost to Generate Intra-governmental Revenue and Earned Revenue (Transactions with Other Federal-Non-DoD-Entities) by Budget Functional Classification

Not applicable

#### Note 19.D. Imputed Expenses

**As of September 30**

(Amounts in thousands)

- 1. Civilian (e.g., CSRS/FERS) Retirement**
- 2. Civilian Health**
- 3. Civilian Life Insurance**
- 4. Military Retirement Pension**
- 5. Military Retirement Health**
- 6. Judgment Fund**
- 7. Total Imputed Expenses**

	<b>2003</b>	<b>2002</b>
	\$106,317	\$81,319
	108,142	102,986
	385	366
	0	0
	0	0
	10,222	24,316
	<b>\$225,066</b>	<b>\$208,987</b>

#### Note 19.E. Benefit Program Expenses

Not applicable

## Note 19. F. Exchange Revenue

### Disclosures Related to the Exchange Revenue:

Exchange revenue arises when a government entity provides goods and services to the public or to another government entity for a price, “earned revenue”. Exchange revenue includes most user charges other than taxes, i.e., regulatory user charges.

Goods and services provided through reimbursable programs to the public or another U.S. government entity (Intra-Corps, Intra-DoD, or other Federal Government entity) are provided at cost. Such reimbursable sales are reported as earned revenues. Costs are equal to the amount reported as earned.

For regulatory discussion on Exchange Revenue, see DoD FMR, Volume 6B, Chapter 10, paragraph 102120.

## Note 19.G. Amounts for Foreign Military Sales (FMS) Program Procurements from Contractors

### Disclosures Related to Amounts for FMS Program Procurements from Contractors:

Not Applicable

## Note 19.H. Stewardship Assets

### Disclosures Related to Stewardship Assets:

Not Applicable

## Note 19.I. Intra-governmental Revenue and Expense

### Disclosures Related to Intra-governmental Revenue and Expense:

The Corps of Engineers Financial Management System (CEFMS) captures trading partner data at the transaction level in a manner that facilitates trading partner reconciliation and elimination entries. There were no material reconciling differences.

## Note 19.J. Suborganization Program Costs

Not applicable

## Note 20. Disclosures Related to the Statement of Changes in Net Position

As of September 30 (Amounts in thousands)	Cumulative Results of Operations 2003	Unexpended Appropriations 2003	Cumulative Results of Operations 2002	Unexpended Appropriations 2002
<b>1. Prior Period Adjustments Increases (Decreases) to Net Position</b>				
<b>Beginning Balance:</b>				
A. Changes in Accounting Standards	\$0	\$0	\$0	\$0
B. Errors and Omissions in Prior Year Accounting Reports	(2,669,485)	0	0	0
C. Other Prior Period Adjustments	0	0	0	0
D. Total Prior Period Adjustments	(\$2,669,485)	\$0	\$0	\$0
<b>2. Imputed Financing:</b>				
A. Civilian CSRS/FERS Retirement	\$106,317	\$0	\$81,319	\$0
B. Civilian Health	108,142	0	102,986	0
C. Civilian Life Insurance	385	0	366	0
D. Military Retirement Pension	0	0	0	0
E. Military Retirement Health	0	0	0	0
F. Judgment Fund	10,222	0	24,316	0
G. Total Imputed Financing	\$225,066	\$0	\$208,987	\$0

### 3. Other Information:

#### Other Corps Disclosures

Reference Footnote 10 that the Corps of Engineers made a prior period adjustment of \$2,669,485 thousand to remove the prior year cost share costs from the construction in progress account.

Taxes and Other Nonexchange Revenue include \$847,514 thousand in tax collections and \$56,701 thousand in interest income deposited into the trust fund accounts. Excise taxes totaling \$89,520 thousand were deposited into the Inland Waterways Trust Fund. Taxes totaling \$757,994 thousand were collected and deposited into The Harbor Maintenance Trust Fund. These taxes were derived from:

Tax on Foreign Trade	\$87,344 thousand
Tax on Imports	624,436 thousand
Tax on Passengers	5,295 thousand
Tax on Domestics	40,647 thousand
Tax on Exports	272 thousand

Transfers-in include \$10 million transferred into the South Dakota Terrestrial Wildlife Restoration Trust Fund, \$56,938 thousand in budget authority transferred into the Coastal Wetlands Restoration Trust Fund from the Aquatic Resources Trust Fund, \$101,551 thousand transferred into the Inland Waterways Trust Fund from Treasury, and \$568,900 thousand in budget authority transferred into the Harbor Maintenance Trust Fund from Treasury. An additional \$576 thousand was transferred from the Department of Energy into the Corps' General Fund and \$46 thousand was transferred from the Department of Defense in the Corps' General Fund.



Transfers out to other government agencies include \$2,981 thousand to the Customs Department and \$13,974 thousand to the Saint Lawrence Seaway Development Corporation from the Harbor Maintenance Trust Fund. An additional \$56,649 thousand was transferred from the General Fund to the Department of the Interior.

Due to DDERS mapping problem, lines 4e and 5d for FY2002 have changed from what was published in FY2002.

#### **Fluctuations**

Line 2G. Imputed Financing - Judgment Fund: The amount of Judgment Fund claims paid by Treasury decreased by \$14,526 thousand during FY 2003.

#### **Cumulative Results of Operations**

Line 4E. The increase in nonexchange revenue is caused by a fluctuation in taxes and interest in the trust funds. The Corps is the lead agency for reporting for the Inland Waterways and Harbor Maintenance Trust Funds.

Line 4G. The increase in transfers in is due to recording the appropriated receipts transferred in for Special and Contributed Funds. The funding was recorded as appropriations received in prior years. The increase is also due to a change in reporting the transfers-in for the Harbor Maintenance and Inland Waterways Trust Funds. During FY 2002 transfers-in to these trust funds were reported on Line 5B as other financing sources. This year the transfers-in to these trust funds are correctly reported on Line 4G.

Line 4H. The decrease in other budgetary financing sources is attributed to a loss on disposition of assets in the Revolving Fund.

Line 5A. The increase in donations and forfeitures of property is due to land tracts donated to Jacksonville District.

Line 5B. The decrease in transfers-in is due to a change in reporting the transfers-in to the Harbor Maintenance and Inland Waterways Trust Funds. During FY 2002 the transfers-in to these trust funds were reported as other financing sources on Line 5B. However, the transfers-in should be reported as budgetary financing sources on Line 4G.

Line 5D. The difference is due to a change in the non-exchange revenue related to receivables that are collected directly to Treasury receipt accounts.

#### **Unexpended Appropriations**

Line 4C. The difference is due to the change in the way of reporting appropriated receipts from Special and Trust Funds. The funds had previously been reported as appropriations received.

#### **Note Reference**

See Note 10 for further discussion of the construction in progress adjustment.

For Regulatory Disclosure Related to The Statement of Changes in Net Position” see, Department of Defense Financial Management Regulation, Volume 6B, Chapter 10, paragraph 1022.

## Note 21.A. Disclosures Related to the Statement of Budgetary Resources

As of September 30

(Amounts in thousands)

1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period
2. Available Borrowing and Contract Authority at the End of the Period

2003	2002
\$1,407,415	\$1,368,628
\$31,840	\$42,134

### 3. Other Information:

#### Intra-entity Transactions

The Statement of Budgetary Resources (SBR) does not include intra-entity transactions because the statements are presented as combined and combining.

#### Apportionment Categories

The amount of direct and reimbursable obligations incurred against amounts apportioned under category A, B and exempt from apportionment in the SBR include: \$5,516,359 thousand for direct obligations; \$5,033,749 thousand for reimbursable obligations; and \$29,796 thousand for direct obligations exempt from apportionment.

#### Undelivered Orders

Undelivered Orders presented in the SBR includes Undelivered Orders-Unpaid for both direct and reimbursable funds.

#### Spending Authority from Offsetting Collections

Adjustments in funds that are temporarily not available pursuant to Public Law, and those that are permanently not available (included in the “Adjustments” line on the SBR), are not included in the “Spending Authority from Offsetting Collections and Adjustments” line on the SBR or the “Spending Authority for Offsetting Collections and Adjustments” line on the Statement of Financing.

#### Offsetting Receipts

Special Fund and Trust Fund receipts reported in Treasury Table B for FY 2003 are not reported on Line 16 of the Statement of Budgetary Resources as offsetting receipts. These receipts are not appropriated nor received until the following fiscal year.

#### Borrowing Authority

Borrowing authority is for capital improvements to the Washington Aqueduct. Funding to repay the debt is provided by Arlington County, Virginia; Falls Church, Virginia; and the District of Columbia.

#### Fluctuations

Line 1D reflects a decrease in net transfers due to a change in reporting the budgetary data for the Trust Funds. As the lead agency for reporting for the Harbor Maintenance and Inland Waterways Trust Funds, the Corps must report all budgetary data for these two trust funds. The net effect of reporting both sides of the budgetary data reduces the net transfers between Treasury and the Corps to zero for these two trust funds. This is the first year to report all the budgetary data for these trust funds and accounts for the large decrease in net transfers.

Line B1A, B9B and B16 of the SBR reflects changes made in the Trust Funds to include budgetary data for prior years not previously reported. The Corps is the lead agency for reporting for the Inland Waterways and Harbor Maintenance Trust funds. The Treasury Department manages the investments and maintains the accounting records for these funds but the Corps is responsible for reporting the budgetary and proprietary data on the financial statements. The Corps has not reported all the budgetary data in the past but the corrections are now reported in these year-end statements. We have recorded the beginning balance amount for total actual resources collected of \$2,259,417 thousand for these two trust funds as current year appropriations received. Appropriations received also includes current year interest income and tax collections of \$828,909 thousand for the Harbor Maintenance and Inland Waterways Trust Funds.

Line B2B reflects a transfer out in FY2002 for Non-Federal Use of Disposal Facilities (96X5493).

Line B3A2 reflects a decrease in receivables from Federal sources of \$39,000 thousand in General Funds and an increase of \$17,000 thousand in Revolving Fund.

Line B3B1 reflects a decrease in unfilled customer orders with advance of \$32,500 thousand in General Funds and a decrease of \$21,000 thousand in Revolving Fund.

Line B3B2 reflects an increase in unfilled customer orders without advance of \$134,500 thousand in General Funds and an increase of \$10,500 thousand in Revolving Fund.

Line B6 reflects a reduction in principal repayment for Borrowing Authority.

Line B9A reflects a decrease in apportioned unobligated balance of \$23,500 thousand in Contributed Funds; an increase of 72,500 thousand in General Funds; and an increase of \$93,500 thousand in Revolving Fund.

Line B14A reflects a decrease in accounts receivables of \$71,000 thousand in General Funds and a decrease of \$4,000 thousand in Revolving Fund.

Line B14B reflects an increase in unfilled customer orders from Federal sources of \$254,500 thousand in General Funds and an increase of \$8,500 thousand in Revolving Fund.

Line B14C reflects an increase in undelivered orders of \$9,500 thousand in Contributed Funds; an increase of \$105,500 thousand in General Funds; an increase of \$31,500 thousand in Revolving Fund; an increase of \$12,500 thousand in Trust Funds; and a decrease of \$4,500 thousand in Transfer Funds.

#### **Note Reference**

See Note 13 for further discussion on the Washington Aqueduct project.

See Note 4 for further discussion of investments.

## Note 21.B. Disclosures Related to Problem Disbursements, In-transit Disbursements and Suspense/Budget Clearing Accounts

<b>As of September 30</b> (Amounts in thousands)	September-01	September-02	September-03	(Decrease)/Increase from 2002 to 2003
1. Total Problem Disbursements				
A. Absolute Unmatched Disbursements	\$0	\$0	\$0	\$0
B. Negative Unliquidated Obligations	0	0	0	0
2. Total In-transit Disbursements, Net	\$0	\$0	\$0	\$0
3. Other Information Related to Problem Disbursements and In-transit Disbursement The Corps has no problem or in-transit disbursements to report.				
4. Suspense/Budget Clearing Accounts, Net				
Account	September-01	September-02	September-03	(Decrease)/Increase
F3875	\$17,422	\$14,228	\$850	(\$13,378)
F3880	(5)	0	0	0
F3882	0	0	0	0
F3885	0	0	0	0
F3886	0	0	0	0
Total	\$17,417	\$14,228	\$850	(\$13,378)

### 5. Other Information Related to Suspense/Budget Clearing Accounts:

#### Other Corps Disclosures

F3875 includes a portion of receipts from leases of land to the public for flood control, navigation and allied purposes. The portion of lease receipts when the term of the lease extends into fiscal year 2004 is collected into F3875. The collections are transferred out in the year following collection.

The decrease in F3875 is also attributed to the resolution of \$13 million disputed collection on a water storage contract at Tulsa District.

## Note 22. Disclosures Related to the Statement of Financing

Disclosures Related to the Statement of Financing:

Intra-entity transactions have not been eliminated because the Statement of Financing is presented as combined and combining.

Footnote 20 includes an explanation for the prior period adjustment of \$2,669,485 thousand.

Line 4. The increase in offsetting receipts is attributed to an increase in tax receipts and interest income on Trust Funds.

Line 6. The change in Donations and forfeitures of property is due to a donation of land tracts to Jacksonville District.

Line 7. The change in transfers in/out is due to an increase in transfers-out. The Corps transferred assets for \$56,649 thousand to the Department of Interior alone during FY 2003.

Line 9. The difference is due to a change in the non-exchange revenue related to receivables that are collected directly to Treasury receipt accounts.

Line 12a. The change is due to a reduction in undelivered orders for reimbursable work in the General Fund.

Line 12b. The increase is from customer orders from other Federal agencies totaling \$102,213 thousand in the General Fund.

Line 14. The increase in offsetting collections and receipts is attributed to an increase in tax receipts in the Trust Funds.

Line 15. The change in capitalized assets resulted from policy change to the capitalization threshold for buildings and structures. All civil works buildings and structures currently capitalized under \$25 thousand, excluding Revolving Fund and Power Marketing Agencies, will be expensed in the current year. Another cause of the change is the reduction to the construction in progress account for cost share projects and transfers to the public.

Line 23. The change is mostly attributed to the increase in future funded expense for contracts with a continuation clause.

Line 25. Pursuant to auditor recommendation, all Corps Districts were directed to identify and correct errors related to depreciation for property, plant and equipment.

Line 26. This line represents current year activity for transfers of construction in progress for cost share projects to the public.

Line 27. This line represents bad debt expense related to accounts receivable and expenses related to a trust fund payable. The FY 2002 amount has been restated to reflect a transfer out of construction in progress of \$2,669,485 thousand.

## Note 23. Disclosures Related to the Statement of Custodial Activity

Disclosures Related to the Statement of Custodial Activity:

This Statement is prepared at the Department of Defense level only.

## Note 24.A. Other Disclosures

Not applicable

## Note 24.B. Other Disclosures

Other Disclosures:

During FY 2003 the Corps of Engineers received \$137,875 thousand in direct appropriations from the Power Marketing Administration.

Not applicable

# Consolidating Balance Sheet

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Special Funds	Trust Funds	Transfer Funds	Borrowing Authority	Revolving Funds	Contributed Funds
<b>ASSETS (Note 2)</b>						
Intragovernmental:						
Fund Balance with Treasury (Note 3)						
Entity	\$3,076	\$67,482	\$40,304	\$645	\$990,006	\$388,451
Non-Entity Seized Iraqi Cash	\$0	\$0	\$0	\$0	\$0	\$0
Non-Entity-Other	\$0	\$0	\$0	\$0	\$0	\$0
Investments (Note 4)	\$0	\$2,478,454	\$0	\$0	\$0	\$0
Accounts Receivable (Note 5)	\$0	\$334,552	\$0	\$0	\$11,077	\$1
Other Assets (Note 6)	\$0	\$0	\$0	\$0	\$0	\$0
Total Intragovernmental Assets	\$3,076	\$2,880,488	\$40,304	\$645	\$1,001,083	\$388,452
Cash and Other Monetary Assets (Note 7)	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Receivable (Note 5)	2,264	0	0	0	2,429	0
Loans Receivable (Note 8)	0	0	0	0	0	0
Inventory and Related Property (Note 9)	0	0	0	0	45,706	0
General Property, Plant and Equipment (Note 10)	1,204	731,479	188,444	8,704	862,879	12,300
Investments (Note 4)	0	0	0	0	0	0
Other Assets (Note 6)	0	0	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$6,544</b>	<b>\$3,611,967</b>	<b>\$228,748</b>	<b>\$9,349</b>	<b>\$1,912,097</b>	<b>\$400,752</b>
<b>LIABILITIES (Note 11)</b>						
Intragovernmental:						
Accounts Payable (Note 12)	\$0	\$7,815	\$1,348	\$0	\$42,174	\$683
Debt (Note 13)	0	0	0	17,386	0	0
Environmental Liabilities (Note 14)	0	0	0	0	0	0
Other Liabilities (Note 15 & Note 16)	2,279	6,000	0	0	24,325	1,170
Total Intragovernmental Liabilities	\$2,279	\$13,815	\$1,348	\$17,386	\$66,499	\$1,853
Accounts Payable (Note 12)	\$623	\$7,843	\$4,690	\$264	\$81,753	\$21,977
Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (Note 17)	0	0	0	0	0	0
Environmental Liabilities (Note 14)	0	0	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0	0	0
Other Liabilities (Note 15 and Note 16)	1,102	11,540	1,860	67	502,847	9,033
Debt Held by Public	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$4,004</b>	<b>\$33,198</b>	<b>\$7,898</b>	<b>\$17,717</b>	<b>\$651,099</b>	<b>\$32,863</b>
<b>NET POSITION</b>						
Unexpended Appropriations (Note 18)	\$0	\$0	\$32,406	\$0	\$0	\$0
Cumulative Results of Operations	2,540	3,578,769	188,444	(8,368)	1,260,998	367,889
<b>TOTAL NET POSITION</b>	<b>\$2,540</b>	<b>\$3,578,769</b>	<b>\$220,850</b>	<b>(\$8,368)</b>	<b>\$1,260,998</b>	<b>\$367,889</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$6,544</b>	<b>\$3,611,967</b>	<b>\$228,748</b>	<b>\$9,349</b>	<b>\$1,912,097</b>	<b>\$400,752</b>

# Consolidating Balance Sheet

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	General Funds	FUSRAP	Combined Total	Eliminations	2003 Consolidated	2002 Consolidated
<b>ASSETS (Note 2)</b>						
Intragovernmental:						
Fund Balance with Treasury (Note 3)						
Entity	\$1,063,063	\$35,830	\$2,588,857	\$0	\$2,588,857	\$2,502,677
Non-Entity Seized Iraqi Cash	\$0	\$0	\$0	\$0	\$0	\$0
Non-Entity-Other	\$6,865	\$0	\$6,865	\$0	\$6,865	\$41,280
Investments (Note 4)	\$0	\$0	\$2,478,454	\$0	\$2,478,454	\$2,269,086
Accounts Receivable (Note 5)	\$80,112	\$0	\$425,742	\$1,968	\$423,774	\$528,150
Other Assets (Note 6)	\$897	\$0	\$897	\$897	\$0	\$0
Total Intragovernmental Assets	\$1,150,937	\$35,830	\$5,500,815	\$2,865	\$5,497,950	\$5,341,193
Cash and Other Monetary Assets (Note 7)	\$1,278	\$0	\$1,278	\$0	\$1,278	\$817
Accounts Receivable (Note 5)	1,930,873	1	1,935,567	0	1,935,567	922,931
Loans Receivable (Note 8)	0	0	0	0	0	0
Inventory and Related Property (Note 9)	16,899	0	62,605	0	62,605	63,139
General Property, Plant and Equipment (Note 10)	29,104,009	37	30,909,056	0	30,909,056	34,204,467
Investments (Note 4)	0	0	0	0	0	0
Other Assets (Note 6)	0	0	0	0	0	77
<b>TOTAL ASSETS</b>	<b>\$32,203,996</b>	<b>\$35,868</b>	<b>\$38,409,321</b>	<b>\$2,865</b>	<b>\$38,406,456</b>	<b>\$40,532,624</b>
<b>LIABILITIES (Note 11)</b>						
Intragovernmental:						
Accounts Payable (Note 12)	\$42,486	\$226	\$94,732	\$1,968	\$92,764	\$83,815
Debt (Note 13)	0	0	17,386	0	17,386	24,667
Environmental Liabilities (Note 14)	0	0	0	0	0	0
Other Liabilities (Note 15 & Note 16)	2,063,603	0	2,097,377	897	2,096,480	1,146,944
Total Intragovernmental Liabilities	\$2,106,089	\$226	\$2,209,495	\$2,865	\$2,206,630	\$1,255,426
Accounts Payable (Note 12)	\$420,259	\$30,699	\$568,108	\$0	\$568,108	\$595,952
Military Retirement Benefits and Other Employment-Related	0	0	0	0	0	0
Actuarial Liabilities (Note 17)						
Environmental Liabilities (Note 14)	0	0	0	0	0	0
Loan Guarantee Liability (Note 8)	0	0	0	0	0	0
Other Liabilities (Note 15 and Note 16)	178,799	136	705,384	0	705,384	590,776
Debt Held by Public	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>\$2,705,147</b>	<b>\$31,061</b>	<b>\$3,482,987</b>	<b>\$2,865</b>	<b>\$3,480,122</b>	<b>\$2,442,154</b>
<b>NET POSITION</b>						
Unexpended Appropriations (Note 18)	\$599,670	\$4,770	\$636,846	\$0	\$636,846	\$1,064,864
Cumulative Results of Operations	28,899,179	37	34,289,488	0	34,289,488	37,025,606
<b>TOTAL NET POSITION</b>	<b>\$29,498,849</b>	<b>\$4,807</b>	<b>\$34,926,334</b>	<b>\$0</b>	<b>\$34,926,334</b>	<b>\$38,090,470</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$32,203,996</b>	<b>\$35,868</b>	<b>\$38,409,321</b>	<b>\$2,865</b>	<b>\$38,406,456</b>	<b>\$40,532,624</b>

The accompanying notes are an integral part of these statements.

## Consolidating Statement of Net Costs

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>Program Costs</b>	<b>Combined Total</b>	<b>Eliminations</b>	<b>2003 Consolidated</b>	<b>2002 Consolidated</b>
<b>Borrowing Authority</b>				
Intragovernmental Gross Costs	\$264	\$27	\$237	\$802
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$264	\$27	\$237	\$802
Gross Costs With the Public	\$8,626	\$0	\$8,626	\$16,000
(Less: Earned Revenue From the Public)	(9,049)	0	(9,049)	(16,940)
Net Costs With the Public	(\$423)	\$0	(\$423)	(\$940)
Total Net Cost	(\$159)	\$27	(\$186)	(\$138)
<b>Contributed Funds</b>				
Intragovernmental Gross Costs	\$30,627	\$23,162	\$7,465	\$5,051
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$30,627	\$23,162	\$7,465	\$5,051
Gross Costs With the Public	\$900,965	\$0	\$900,965	\$601,520
(Less: Earned Revenue From the Public)	(10)	0	(10)	(2)
Net Costs With the Public	\$900,955	\$0	\$900,955	\$601,518
Total Net Cost	\$931,582	\$23,162	\$908,420	\$606,569
<b>FUSRAP</b>				
Intragovernmental Gross Costs	\$7,579	\$5,055	\$2,524	\$2,209
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$7,579	\$5,055	\$2,524	\$2,209
Gross Costs With the Public	\$137,757	\$0	\$137,757	\$147,444
(Less: Earned Revenue From the Public)	0	0	0	(600)
Net Costs With the Public	\$137,757	\$0	\$137,757	\$146,844
Total Net Cost	\$145,336	\$5,055	\$140,281	\$149,053
<b>General Funds</b>				
Intragovernmental Gross Costs	\$1,331,374	\$1,066,354	\$265,020	\$290,137
(Less: Intragovernmental Earned Revenue)	(479,526)	(27)	(479,499)	(604,225)
Intragovernmental Net Costs	\$851,848	\$1,066,327	(\$214,479)	(\$314,088)
Gross Costs With the Public	\$6,314,004	\$0	\$6,314,004	\$5,114,686
(Less: Earned Revenue From the Public)	(264,819)	0	(264,819)	(88,170)
Net Costs With the Public	\$6,049,185	\$0	\$6,049,185	\$5,026,516
Total Net Cost	\$6,901,033	\$1,066,327	\$5,834,706	\$4,712,428



## Consolidating Statement of Net Costs

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Combined Total	Eliminations	2003 Consolidated	2002 Consolidated
<b>Program Costs</b>				
<b>Revolving Funds</b>				
Intragovernmental Gross Costs	\$515,084	\$0	\$515,084	\$480,519
(Less: Intragovernmental Earned Revenue)	(1,641,855)	(1,109,585)	(532,270)	(12,212)
Intragovernmental Net Costs	(\$1,126,771)	(\$1,109,585)	(\$17,186)	\$468,307
Gross Costs With the Public	\$1,379,197	\$0	\$1,379,197	(\$227,050)
(Less: Earned Revenue From the Public)	(24,755)	0	(24,755)	(16,028)
Net Costs With the Public	\$1,354,442	\$0	\$1,354,442	(\$243,078)
Total Net Cost	\$227,671	(\$1,109,585)	\$1,337,256	\$225,229
<b>Special Funds</b>				
Intragovernmental Gross Costs	\$765	\$629	\$136	\$0
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$765	\$629	\$136	\$0
Gross Costs With the Public	\$11,212	\$0	\$11,212	\$12,290
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	\$11,212	\$0	\$11,212	\$12,290
Total Net Cost	\$11,977	\$629	\$11,348	\$12,290
<b>Transfer Funds</b>				
Intragovernmental Gross Costs	\$10,816	\$7,817	\$2,999	\$224
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$10,816	\$7,817	\$2,999	\$224
Gross Costs With the Public	\$70,313	\$0	\$70,313	\$2,569
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	\$70,313	\$0	\$70,313	\$2,569
Total Net Cost	\$81,129	\$7,817	\$73,312	\$2,793
<b>Trust Funds</b>				
Intragovernmental Gross Costs	\$32,302	\$6,568	\$25,734	\$7,688
(Less: Intragovernmental Earned Revenue)	0	0	0	0
Intragovernmental Net Costs	\$32,302	\$6,568	\$25,734	\$7,688
Gross Costs With the Public	\$644,898	\$0	\$644,898	\$647,305
(Less: Earned Revenue From the Public)	0	0	0	0
Net Costs With the Public	\$644,898	\$0	\$644,898	\$647,305
Total Net Cost	\$677,200	\$6,568	\$670,632	\$654,993

The accompanying notes are an integral part of these statements.

## Consolidating Statement of Net Costs

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

Program Costs	Combined Total	Eliminations	2003 Consolidated	2002 Consolidated
<b>Total Program Costs</b>				
Intragovernmental Gross Costs	\$1,928,811	\$1,109,612	\$819,199	\$786,630
(Less: Intragovernmental Earned Revenue)	(2,121,381)	(1,109,612)	(1,011,769)	(616,437)
Intragovernmental Net Costs	(\$192,570)	\$0	(\$192,570)	\$170,193
Gross Costs With the Public	\$9,466,972	\$0	\$9,466,972	\$6,314,764
(Less: Earned Revenue From the Public)	(298,633)	0	(298,633)	(121,740)
Net Costs With the Public	\$9,168,339	\$0	\$9,168,339	\$6,193,024
Total Net Cost	\$8,975,769	\$0	\$8,975,769	\$6,363,217
<b>Cost Not Assigned to Programs</b>	\$0	\$0	\$0	\$0
<b>(Less: Earned Revenue Not Attributable to Programs)</b>	0	0	0	0
<b>Net Cost of Operations</b>	<u>\$8,975,769</u>	<u>\$0</u>	<u>\$8,975,769</u>	<u>\$6,363,217</u>

## Consolidating Statement of Changes in Net Position

*Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)*

	Special Funds	Trust Funds	Transfer Funds	Borrowing Authority	Revolving Funds
<b>CUMULATIVE RESULTS OF OPERATIONS</b>					
<b>Beginning Balances</b>	\$1,950	\$3,388,693	\$218,068	\$45,057	\$1,249,424
<b>Prior period adjustments (+/-)</b>	0	0	0	0	0
<b>Beginning Balances, as adjusted</b>	\$1,950	\$3,388,693	\$218,068	\$45,057	\$1,249,424
<b>Budgetary Financing Sources:</b>					
Appropriations received	0	0	0	0	0
Appropriations transferred-in/out (+/-)	0	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0	0
Appropriations used	0	0	62,911	0	17,133
Nonexchange revenue	0	904,214	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0	0
Transfers-in/out without reimbursement (+/-)	14,086	49,983	0	0	0
Other budgetary financing sources (+/-)	15	0	0	0	7,501
<b>Other Financing Sources:</b>					
Donations and forfeitures of property	0	0	0	0	100
Transfers-in/out without reimbursement (+/-)	(1,534)	(86,922)	(11,327)	(62,237)	(333)
Imputed financing from costs absorbed by others	0	0	0	0	214,844
Other (+/-)	0	0	(78)	8,653	0
<b>Total Financing Sources</b>	<b>\$12,567</b>	<b>\$867,275</b>	<b>\$51,506</b>	<b>(\$53,584)</b>	<b>\$239,245</b>
<b>Net Cost of Operations (+/-)</b>	<b>11,977</b>	<b>677,200</b>	<b>81,129</b>	<b>(159)</b>	<b>227,671</b>
<b>Ending Balances</b>	<b>\$2,540</b>	<b>\$3,578,768</b>	<b>\$188,445</b>	<b>(\$8,368)</b>	<b>\$1,260,998</b>
<b>UNEXPENDED APPROPRIATIONS</b>					
<b>Beginning Balances</b>	\$78	\$0	\$37,081	\$0	\$0
<b>Prior period adjustments (+/-)</b>	0	0	0	0	0
<b>Beginning Balances, as adjusted</b>	\$78	\$0	\$37,081	\$0	\$0
<b>Budgetary Financing Sources:</b>					
Appropriations received	0	0	0	0	0
Appropriations transferred-in/out (+/-)	0	0	58,236	0	0
Other adjustments (rescissions, etc) (+/-)	(78)	0	1	0	0
Appropriations used	0	0	(62,912)	0	0
Nonexchange revenue	0	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0	0
<b>Other Financing Sources:</b>					
Donations and forfeitures of property	0	0	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0	0
Other (+/-)	0	0	0	0	0
<b>Total Financing Sources</b>	<b>(\$78)</b>	<b>\$0</b>	<b>(\$4,675)</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Cost of Operations (+/-)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ending Balances</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,406</b>	<b>\$0</b>	<b>\$0</b>

The accompanying notes are an integral part of these statements.

## Consolidating Statement of Changes in Net Position

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Contributed Funds	General Funds	FUSRAP	Combined Total
<b>CUMULATIVE RESULTS OF OPERATIONS</b>				
<b>Beginning Balances</b>	\$918,329	\$33,873,540	\$31	\$39,695,092
<b>Prior period adjustments (+/-)</b>	(424,837)	(2,244,648)	0	(2,669,485)
<b>Beginning Balances, as adjusted</b>	\$493,492	\$31,628,892	\$31	\$37,025,607
<b>Budgetary Financing Sources:</b>				
Appropriations received	0	0	0	0
Appropriations transferred-in/out (+/-)	0	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0	0
Appropriations used	0	4,098,325	145,342	4,323,711
Nonexchange revenue	0	27,027	0	931,241
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers-in/out without reimbursement (+/-)	809,174	(10,000)	0	863,243
Other budgetary financing sources (+/-)	0	(40,052)	0	(32,536)
<b>Other Financing Sources:</b>				
Donations and forfeitures of property	0	4,548	0	4,648
Transfers-in/out without reimbursement (+/-)	(2,324)	108,333	0	(56,344)
Imputed financing from costs absorbed by others	0	10,222	0	225,066
Other (+/-)	(872)	(27,082)	0	(19,379)
<b>Total Financing Sources</b>	\$805,978	\$4,171,321	\$145,342	\$6,239,650
<b>Net Cost of Operations (+/-)</b>	931,582	6,901,033	145,336	8,975,769
<b>Ending Balances</b>	\$367,888	\$28,899,180	\$37	\$34,289,488
<b>UNEXPENDED APPROPRIATIONS</b>				
<b>Beginning Balances</b>	\$342,591	\$679,060	\$6,054	\$1,064,864
<b>Prior period adjustments (+/-)</b>	0	0	0	0
<b>Beginning Balances, as adjusted</b>	\$342,591	\$679,060	\$6,054	\$1,064,864
<b>Budgetary Financing Sources:</b>				
Appropriations received	0	3,882,999	144,058	4,027,057
Appropriations transferred-in/out (+/-)	0	137,875	0	196,111
Other adjustments (rescissions, etc) (+/-)	(342,591)	(1,750)	0	(344,418)
Appropriations used	0	(4,098,514)	(145,342)	(4,306,768)
Nonexchange revenue	0	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0	0
Other budgetary financing sources (+/-)	0	0	0	0
<b>Other Financing Sources:</b>				
Donations and forfeitures of property	0	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0	0
Imputed financing from costs absorbed by others	0	0	0	0
Other (+/-)	0	0	0	0
<b>Total Financing Sources</b>	(\$342,591)	(\$79,390)	(\$1,284)	(\$428,018)
<b>Net Cost of Operations (+/-)</b>	0	0	0	0
<b>Ending Balances</b>	\$0	\$599,670	\$4,770	\$636,846

## Consolidating Statement of Changes in Net Position

*Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)*

	Eliminations	2003	2002
<b>CUMULATIVE RESULTS OF OPERATIONS</b>			
<b>Beginning Balances</b>	\$0	\$39,695,092	\$37,604,229
<b>Prior period adjustments (+/-)</b>	0	(2,669,485)	0
<b>Beginning Balances, as adjusted</b>	\$0	\$37,025,607	\$37,604,229
<b>Budgetary Financing Sources:</b>			
Appropriations received	0	0	0
Appropriations transferred-in/out (+/-)	0	0	0
Other adjustments (rescissions, etc) (+/-)	0	0	0
Appropriations used	0	4,323,711	4,704,846
Nonexchange revenue	0	931,241	819,255
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers-in/out without reimbursement (+/-)	0	863,243	(706,651)
Other budgetary financing sources (+/-)	0	(32,536)	(3,166)
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	0	4,648	303
Transfers-in/out without reimbursement (+/-)	0	(56,344)	744,279
Imputed financing from costs absorbed by others	0	225,066	208,986
Other (+/-)	0	(19,379)	16,743
<b>Total Financing Sources</b>	\$0	\$6,239,650	\$5,784,595
<b>Net Cost of Operations (+/-)</b>	0	8,975,769	6,363,217
<b>Ending Balances</b>	\$0	\$34,289,488	\$37,025,607
<b>UNEXPENDED APPROPRIATIONS</b>			
<b>Beginning Balances</b>	\$0	\$1,064,864	\$1,214,901
<b>Prior period adjustments (+/-)</b>	0	0	0
<b>Beginning Balances, as adjusted</b>	\$0	\$1,064,864	\$1,214,901
<b>Budgetary Financing Sources:</b>			
Appropriations received	0	4,027,057	4,324,965
Appropriations transferred-in/out (+/-)	0	196,111	198,408
Other adjustments (rescissions, etc) (+/-)	0	(344,418)	(153,374)
Appropriations used	0	(4,306,768)	(4,520,036)
Nonexchange revenue	0	0	0
Donations and forfeitures of cash and cash equivalents	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0
Other budgetary financing sources (+/-)	0	0	0
<b>Other Financing Sources:</b>			
Donations and forfeitures of property	0	0	0
Transfers-in/out without reimbursement (+/-)	0	0	0
Imputed financing from costs absorbed by others	0	0	0
Other (+/-)	0	0	0
<b>Total Financing Sources</b>	\$0	(\$428,018)	(\$150,037)
<b>Net Cost of Operations (+/-)</b>	0	0	0
<b>Ending Balances</b>	\$0	\$636,846	\$1,064,864

The accompanying notes are an integral part of these statements.

## Combining Statement of Budgetary Resources

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>BUDGETARY RESOURCES</b>	<b>Special Funds</b>	<b>Trust Funds</b>	<b>Transfer Funds</b>	<b>Borrowing Authority</b>	<b>Revolving Funds</b>
Budget Authority:					
Appropriations received	\$14,008	\$3,145,245	\$0	\$0	\$0
Borrowing authority	0	0	0	0	0
Contract authority	0	0	0	0	0
Net transfers (+/-)	0	(35,456)	58,236	0	0
Other	0	0	0	0	0
Unobligated balance:					
Beginning of period	61	200,131	21,283	637	57,351
Net transfers, actual (+/-)	0	0	0	0	0
Anticipated Transfers balances	0	0	0	0	0
Spending authority from offsetting collections:					
Earned	0	0	0	0	0
Collected	0	0	38	9,049	3,883,934
Receivable from Federal sources	0	0	0	0	(3,930)
Change in unfilled customer orders	0	0	0	0	0
Advance received	0	0	0	0	(13,001)
Without advance from Federal sources	0	0	(4)	0	8,359
Anticipated for the rest of year, without advances	0	0	0	0	0
Transfers from trust funds	0	0	0	0	0
Subtotal	\$0	\$0	\$34	\$9,049	\$3,875,362
Recoveries of prior year obligations	0	0	0	0	0
Temporarily not available pursuant to Public Law	0	0	0	0	0
Permanently not available	0	0	0	(8,653)	0
<b>Total Budgetary Resources</b>	<b>\$14,069</b>	<b>\$3,309,920</b>	<b>\$79,553</b>	<b>\$1,033</b>	<b>\$3,932,713</b>
<b>STATUS OF BUDGETARY RESOURCES</b>	<b>Special Funds</b>	<b>Trust Funds</b>	<b>Transfer Funds</b>	<b>Borrowing Authority</b>	<b>Revolving Funds</b>
Obligations incurred:					
Direct	\$14,032	\$719,154	\$58,206	\$1,016	\$0
Reimbursable	0	0	38	397	3,851,645
Subtotal	14,032	719,154	58,244	1,413	3,851,645
Unobligated balance:					
Apportioned	37	0	21,302	0	92,724
Exempt from apportionment	0	2,590,767	0	(380)	(11,657)
Other available	0	(1)	(1)	0	1
Unobligated Balances Not Available	0	0	8	0	0
<b>Total, Status of Budgetary Resources</b>	<b>\$14,069</b>	<b>\$3,309,920</b>	<b>\$79,553</b>	<b>\$1,033</b>	<b>\$3,932,713</b>

## Combining Statement of Budgetary Resources

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>BUDGETARY RESOURCES</b>	<b>Contributed</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Budget Authority:					
Appropriations received	\$466,583	\$3,882,999	\$144,058	\$7,652,893	\$4,324,965
Borrowing authority	0	0	0	0	0
Contract authority	0	0	0	0	0
Net transfers (+/-)	0	138,184	0	160,964	1,006,223
Other	0	0	0	0	0
Unobligated balance:					
Beginning of period	250,945	1,208,181	2,424	1,741,013	1,713,303
Net transfers, actual (+/-)	0	0	0	0	(23,140)
Anticipated Transfers balances	0	0	0	0	0
Spending authority from offsetting collections:					
Earned	0	0	0	0	0
Collected	130	1,164,996	7,423	5,065,570	4,837,613
Receivable from Federal sources	0	(70,915)	4	(74,841)	(53,523)
Change in unfilled customer orders	0	0	0	0	0
Advance received	(10)	(3,307)	0	(16,318)	37,345
Without advance from Federal sources	35	254,557	(821)	262,126	115,628
Anticipated for the rest of year, without advances	0	0	0	0	0
Transfers from trust funds	0	0	0	0	0
Subtotal	\$155	\$1,345,331	\$6,606	\$5,236,537	\$4,937,063
Recoveries of prior year obligations	0	0	0	0	0
Temporarily not available pursuant to Public Law	0	0	0	0	0
Permanently not available	0	0	0	(8,653)	(16,515)
<b>Total Budgetary Resources</b>	<b>\$717,683</b>	<b>\$6,574,695</b>	<b>\$153,088</b>	<b>\$14,782,754</b>	<b>\$11,941,899</b>
<b>STATUS OF BUDGETARY RESOURCES</b>	<b>Contributed Funds</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Obligations incurred:					
Direct	\$455,768	\$4,124,442	\$143,741	\$5,516,359	\$5,415,360
Reimbursable	113	1,174,649	6,907	5,033,749	4,785,522
Subtotal	455,881	5,299,091	150,648	10,550,108	10,200,882
Unobligated balance:					
Apportioned	57	1,271,202	2,440	1,387,762	1,246,051
Exempt from apportionment	261,745	4,400	0	2,844,875	494,957
Other available	0	1	0	0	0
Unobligated Balances Not Available	0	1	0	9	9
<b>Total, Status of Budgetary Resources</b>	<b>\$717,683</b>	<b>\$6,574,695</b>	<b>\$153,088</b>	<b>\$14,782,754</b>	<b>\$11,941,899</b>

The accompanying notes are an integral part of these statements.

## Combining Statement of Budgetary Resources

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Special Funds	Trust Funds	Transfer Funds	Borrowing Authority	Revolving Funds
Obligated Balance, Net - beginning of period	\$24	\$123,150	\$24,208	\$1,532	\$845,181
Obligated Balance transferred, net (+/-)	0	0	0	0	0
Obligated Balance, Net - end of period:					
Accounts receivable	0	0	0	0	(21,589)
Unfilled customer order from Federal sources	0	0	0	0	(38,318)
Undelivered orders	2,416	118,777	11,097	164	368,874
Accounts payable	623	9,163	7,898	726	599,973
Outlays:					
Disbursements	11,017	714,365	63,462	2,054	3,783,460
Collections	0	0	(38)	(9,049)	(3,870,933)
Subtotal	\$11,017	\$714,365	\$63,424	(\$6,995)	(\$87,473)
Less: Offsetting receipts	0	(904,214)	0	0	0
<b>Net Outlays</b>	<b>\$11,017</b>	<b>(\$189,849)</b>	<b>\$63,424</b>	<b>(\$6,995)</b>	<b>(\$87,473)</b>



## Combining Statement of Budgetary Resources

*Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)*

	<b>Contributed Funds</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Obligated Balance, Net - beginning of period	\$111,958	(\$96,222)	\$37,492	\$1,047,323	\$1,097,971
Obligated Balance transferred, net (+/-)	0	0	0	0	0
Obligated Balance, Net - end of period:					
Accounts receivable	0	(139,007)	(5)	(160,601)	(235,443)
Unfilled customer order from Federal sources	(54)	(1,595,077)	(1,806)	(1,635,255)	(1,373,128)
Undelivered orders	101,043	1,022,408	4,136	1,628,915	1,475,183
Accounts payable	25,660	499,457	31,065	1,174,565	1,180,711
Outlays:					
Disbursements	441,154	5,231,446	155,567	10,402,525	10,189,428
Collections	(120)	(1,161,688)	(7,423)	(5,049,251)	(4,874,959)
Subtotal	<u>\$441,034</u>	<u>\$4,069,758</u>	<u>\$148,144</u>	<u>\$5,353,274</u>	<u>\$5,314,469</u>
Less: Offsetting receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>(904,214)</u>	<u>(819,255)</u>
<b>Net Outlays</b>	<u><u>\$441,034</u></u>	<u><u>\$4,069,758</u></u>	<u><u>\$148,144</u></u>	<u><u>\$4,449,060</u></u>	<u><u>\$4,495,214</u></u>

The accompanying notes are an integral part of these statements.

## Combining Statement of Financing

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Special Funds	Trust Funds	Transfer Funds	Borrowing Authority	Revolving Funds	Contributed Funds
<b>Resources Used to Finance Activities:</b>						
Budgetary Resources Obligated						
Obligations incurred	\$14,032	\$719,154	\$58,244	\$1,413	\$3,851,645	\$455,881
Less: Spending authority from offsetting collections and recoveries (-)	0	0	(34)	(9,049)	(3,875,362)	(155)
Obligations net of offsetting collections and recoveries	\$14,032	\$719,154	\$58,210	(\$7,636)	(\$23,717)	\$455,726
Less: Offsetting receipts (-)	0	(904,214)	0	0	0	0
Net obligations	\$14,032	(\$185,060)	\$58,210	(\$7,636)	(\$23,717)	\$455,726
<b>Other Resources</b>						
Donations and forfeitures of property	0	0	0	0	100	0
Transfers in/out without reimbursement (+/-)	(1,534)	(86,922)	(11,327)	(62,237)	(333)	(2,324)
Imputed financing from costs absorbed by others	0	0	0	0	214,844	0
Other (+/-)	0	0	(78)	8,653	0	(872)
Net other resources used to finance activities	(\$1,534)	(\$86,922)	(\$11,405)	(\$53,584)	\$214,611	(\$3,196)
<b>Total resources used to finance activities</b>	<b>\$12,498</b>	<b>(\$271,982)</b>	<b>\$46,805</b>	<b>(\$61,220)</b>	<b>\$190,894</b>	<b>\$452,530</b>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<b>Special Funds</b>	<b>Trust Funds</b>	<b>Transfer Funds</b>	<b>Borrowing Authority</b>	<b>Revolving Funds</b>	<b>Contributed Funds</b>
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided						
Undelivered Orders (-)	(\$2,399)	(\$12,637)	\$4,705	\$568	(\$31,329)	(\$9,365)
Unfilled Customer Orders	0	0	(4)	0	(4,643)	25
Resources that fund expenses recognized in prior periods	0	0	0	0	0	0
Budgetary offsetting collections and receipts that do not affect net cost of operations	0	904,214	0	0	0	0
Resources that finance the acquisition of assets	731	25,821	28,574	60,493	12,999	633
Other resources or adjustments to net obligated resources that do not affect net cost of operations						
Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget (-)	0	0	0	0	0	0
Other (+/-)	0	0	0	0	0	0
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>(\$1,668)</b>	<b>\$917,398</b>	<b>\$33,275</b>	<b>\$61,061</b>	<b>(\$22,973)</b>	<b>(\$8,707)</b>
<b>Total resources used to finance the net cost of operations</b>	<b>\$10,830</b>	<b>\$645,416</b>	<b>\$80,080</b>	<b>(\$159)</b>	<b>\$167,921</b>	<b>\$443,823</b>

## Combining Statement of Financing

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>Resources Used to Finance Activities:</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Budgetary Resources Obligated				
Obligations incurred	\$5,299,091	\$150,648	\$10,550,108	\$10,200,882
Less: Spending authority from offsetting collections and recoveries (-)	(1,345,331)	(6,606)	(5,236,537)	(4,937,063)
Obligations net of offsetting collections and recoveries	\$3,953,760	\$144,042	\$5,313,571	\$5,263,819
Less: Offsetting receipts (-)	0	0	(904,214)	(819,255)
Net obligations	\$3,953,760	\$144,042	\$4,409,357	\$4,444,564
<b>Other Resources</b>				
Donations and forfeitures of property	4,548	0	4,648	303
Transfers in/out without reimbursement (+/-)	108,333	0	(56,344)	1,171
Imputed financing from costs absorbed by others	10,222	0	225,066	208,986
Other (+/-)	(27,082)	0	(19,379)	16,743
Net other resources used to finance activities	\$96,021	\$0	\$153,991	\$227,203
<b>Total resources used to finance activities</b>	<b>\$4,049,781</b>	<b>\$144,042</b>	<b>\$4,563,348</b>	<b>\$4,671,767</b>

  

<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided				
Undelivered Orders (-)	(\$105,978)	\$2,120	(\$154,315)	(\$2,705)
Unfilled Customer Orders	251,250	(821)	245,807	152,974
Resources that fund expenses recognized in prior periods	0	0	0	0
Budgetary offsetting collections and receipts that do not affect net cost of operations	481	0	904,695	819,255
Resources that finance the acquisition of assets	1,270,613	(5)	1,399,859	(2,461,629)
Other resources or adjustments to net obligated resources that do not affect net cost of operations				
Less: Trust or Special Fund Receipts Related to Exchange in the Entity's Budget (-)	0	0	0	0
Other (+/-)	0	0	0	0
<b>Total resources used to finance items not part of the net cost of operations</b>	<b>\$1,416,366</b>	<b>\$1,294</b>	<b>\$2,396,046</b>	<b>(\$1,492,105)</b>
<b>Total resources used to finance the net cost of operations</b>	<b>\$5,466,147</b>	<b>\$145,336</b>	<b>\$6,959,394</b>	<b>\$3,179,662</b>

The accompanying notes are an integral part of these statements.

## Combining Statement of Financing

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>	<b>Special Funds</b>	<b>Trust Funds</b>	<b>Transfer Funds</b>	<b>Borrowing Authority</b>	<b>Revolving Funds</b>	<b>Contributed Funds</b>
Components Requiring or Generating Resources in Future Periods:						
Increase in annual leave liability	\$0	\$0	\$0	\$0	\$0	\$0
Increase in environmental and disposal liability	0	0	0	0	0	0
Upward/Downward reestimates of credit subsidy expense (+/-)	0	0	0	0	0	0
Increase in exchange revenue receivable from the the public (-)	0	0	0	0	0	0
Other (+/-)	1,102	10,647	0	0	1,790	5,892
Total components of Net Cost of Operations that will require or generate resources in future periods	\$1,102	\$10,647	\$0	\$0	\$1,790	\$5,892
Components not Requiring or Generating Resources:						
Depreciation and amortization	16	2,626	1,049	0	57,936	104
Revaluation of assets or liabilities (+/-)	0	10	0	0	0	481,763
Other (+/-)	29	18,501	0	0	24	0
Total components of Net Cost of Operations that will not require or generate resources	\$45	\$21,137	\$1,049	\$0	\$57,960	\$481,867
<b>Total components of net cost of operations that will not require or generate resources in the current period</b>	<b>\$1,147</b>	<b>\$31,784</b>	<b>\$1,049</b>	<b>\$0</b>	<b>\$59,750</b>	<b>\$487,759</b>
<b>Net Cost of Operations</b>	<b>\$11,977</b>	<b>\$677,200</b>	<b>\$81,129</b>	<b>(\$159)</b>	<b>\$227,671</b>	<b>\$931,582</b>

## Combining Statement of Financing

Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

<b>Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:</b>	<b>General Funds</b>	<b>FUSRAP</b>	<b>2003 Combined</b>	<b>2002 Combined</b>
Components Requiring or Generating Resources in Future Periods:				
Increase in annual leave liability	\$0	\$0	\$0	\$0
Increase in environmental and disposal liability	0	0	0	0
Upward/Downward reestimates of credit subsidy expense (+/-)	0	0	0	0
Increase in exchange revenue receivable from the the public (-)	0	0	0	(3,429)
Other (+/-)	46,991	0	66,422	41,498
Total components of Net Cost of Operations that will require or generate resources in future periods	\$46,991	\$0	\$66,422	\$38,069
Components not Requiring or Generating Resources:				
Depreciation and amortization	385,930	0	447,661	475,535
Revaluation of assets or liabilities (+/-)	995,857	0	1,477,630	0
Other (+/-)	6,108	0	24,662	2,669,951
Total components of Net Cost of Operations that will not require or generate resources	\$1,387,895	\$0	\$1,949,953	\$3,145,486
<b>Total components of net cost of operations that will not require or generate resources in the current period</b>	<b>\$1,434,886</b>	<b>\$0</b>	<b>\$2,016,375</b>	<b>\$3,183,555</b>
<b>Net Cost of Operations</b>	<b>\$6,901,033</b>	<b>\$145,336</b>	<b>\$8,975,769</b>	<b>\$6,363,217</b>

The accompanying notes are an integral part of these statements.

# HERITAGE ASSETS

For Fiscal Year Ended September 2003

(a)	(b) Measurement Quantity	(c) As Of 10/1/2002	(d) Additions	(e) Deletions	(f) As Of 9/30/2003
Museums	Each				
Monuments & Memorials	Each	1	1		
Cemeteries	Sites	0	0		
Archeological Sites	Sites	120	9		129
Buildings & Structure	Each	324	3		327
Major Collections	Each	1			1

## Narrative Statement

We have one (1) Major Collection, that being the collection of historical memorabilia, historic artifacts and records managed by the Headquarters, U.S. Army Corps of Engineers Office of History.

Other than multipurpose heritage assets, heritage assets are not material to the mission of the U. S. Army Corps of Engineers. Disclosures pertinent to multipurpose heritage assets are contained in the financial statements.

Heritage assets classified as Land are special land plots containing archaeological sites as listed on the National Register of Historic Places or eligible to be listed.

Heritage assets on display are assumed to be in adequate condition for display purposes, consistent with their origins, unless otherwise noted. Reported heritage assets are free of material conditions that are counter to safeguarding, adequately protecting, and properly managing those assets; they have not materially degraded while under the care of the U. S. Army Corps of Engineers. The existence of most of the un-categorized heritage assets is informally known to be adequate for display purposes, however, the condition of many un-categorized assets are unknown.

Cemeteries and Archeological Sites are archeological properties listed on or eligible for, the National Register of Historic Places. These archeological assets cover almost the entire range of human occupation of the Continental United States beginning with the Kennewick Man Discovery Site in Washington State, dating to approximately 10,000 years before present, to archeological remains of early European-American settlements such as Fort Independence in Georgia.

Buildings and Structures include a range of historic resources from a covered bridge in Sacramento District to early farming structures in Savannah District. It also includes some non-traditional structures such as a snag boat that operated on the Mississippi River.

**General Property, Plant and Equipment  
Real Property Deferred Maintenance Amounts  
As of September 30, 2003**

(a)	(b)
<u>Property Type/Major Class</u>	
1. Real Property	
A. Buildings	
B. Structures	\$772,000,000
2. Total	\$772,000,000

Narrative Statement: Deferred maintenance at Civil Works water resources projects operated and maintained by the U.S. Army Corps of Engineers was determined through the budget development process whereby operations managers identify the operation and maintenance (O&M) needs at each project in the Civil Works inventory. O&M needs are based on inspections of project Features, engineering analyses and historical experience.

## Disaggregated Statement of Budgetary Resources

Department of Defense • Department of the Army, Civil Works Fund  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)

	Civil Works	2003 Combined	2002 Combined
<b>BUDGETARY RESOURCES</b>			
Budget Authority:			
Appropriations received	\$7,652,892	\$7,652,893	\$4,324,965
Borrowing authority	0	0	0
Contract authority	0	0	0
Net transfers (+/-)	160,963	160,964	1,006,223
Other	0	0	0
Unobligated balance:			
Beginning of period	1,741,016	1,741,013	1,713,303
Net transfers, actual (+/-)	0	0	(23,140)
Anticipated Transfers Balances	0	0	0
Spending authority from offsetting collections:			
Earned	0	0	0
Collected	5,065,570	5,065,570	4,837,613
Receivable from Federal sources	(74,842)	(74,841)	(53,523)
Change in unfilled customer orders	0	0	0
Advance received	(16,319)	(16,318)	37,345
Without advance from Federal sources	262,126	262,126	115,628
Anticipated for the rest of year, without advances	0	0	0
Transfers from trust funds	0	0	0
Subtotal	\$5,236,535	\$5,236,537	\$4,937,063
Recoveries of prior year obligations	0	0	0
Temporarily not available pursuant to Public Law	0	0	0
Permanently not available	(8,653)	(8,653)	(16,515)
<b>Total Budgetary Resources</b>	<b>\$14,782,753</b>	<b>\$14,782,754</b>	<b>\$11,941,899</b>



## Disaggregated Statement of Budgetary Resources

*Department of Defense • Department of the Army  
For the Years Ended September 30, 2003 and 2002 (\$ in thousands)*

	Civil Works	2003 Combined	2002 Combined
<b>STATUS OF BUDGETARY RESOURCES</b>			
Obligations incurred:			
Direct	\$5,516,360	\$5,516,359	\$5,415,360
Reimbursable	5,033,749	5,033,749	4,785,522
Subtotal	\$10,550,109	\$10,550,108	\$10,200,882
Unobligated balance:			
Apportioned	1,387,762	1,387,762	1,246,051
Exempt from apportionment	2,844,875	2,844,875	494,957
Other available	0	0	0
Unobligated Balances Not Available	8	9	9
<b>Total, Status of Budgetary Resources</b>	<u>\$14,782,754</u>	<u>\$14,782,754</u>	<u>\$11,941,899</u>
 <b>Relationship of Obligations to Outlays:</b>			
Obligated Balance, Net- beginning of period	\$1,047,323	\$1,047,323	\$1,097,971
Obligated Balance transferred, net (+/-)	0	0	0
Obligated Balance, Net- end of period:			
Accounts receivable	(160,601)	(160,601)	(235,443)
Unfilled customer order from Federal sources	(1,635,255)	(1,635,255)	(1,373,128)
Undelivered orders	1,628,914	1,628,915	1,475,183
Accounts payable	1,174,564	1,174,565	1,180,711
Outlays:			
Disbursements	\$10,402,525	\$10,402,525	\$10,189,428
Collections	(5,049,251)	(5,049,251)	(4,874,959)
Subtotal	<u>\$5,353,274</u>	<u>\$5,353,274</u>	<u>\$5,314,469</u>
Less: Offsetting receipts	(904,214)	(904,214)	(819,255)
<b>Net Outlays</b>	<u>\$4,449,060</u>	<u>\$4,449,060</u>	<u>\$4,495,214</u>

The accompanying notes are an integral part of these statements.

## Required Supplementary Information

Schedule, Part A DoD Intragovernmental Asset Balances	Treasury Index:	Fund Balance with Treasury	Accounts Receivable	Loans	Investments	Other
The Judiciary	10		\$20			
Department of Agriculture	12		\$2,238			
Department of Commerce	13		\$65			
Department of the Interior	14		\$327,918			
Department of Justice	15		\$980			
Department of Labor	16		\$4			
Navy General Fund	17		\$2,170			
United States Postal Service	18		\$18			
Department of State	19		\$2,760			
Department of the Treasury	20	\$2,595,723	\$95		\$2,478,454	
Army General Fund	21		\$5,451			
Office of Personnel Management	24		\$0			
Social Security Administration	28		\$1			
Smithsonian Institution	33		\$1,824			
Department of Veterans Affairs	36		\$120			
Government Printing Office	4		\$1			
General Service Administration	47		\$678			
National Science Foundation	49		\$19			
General Accounting Office	5		\$1			
Air Force General Fund	57		\$1,619			\$0
Federal Emergency Management Agency	58		\$19,004			
Railroad Retirement Board	60		\$3			
National Labor Relations Board	63		\$0			
Tennessee Valley Authority	64		\$40			
Environmental Protection Agency	68		\$27,836			
Department of Transportation	69		\$9,218			
Agency for International Development	72		\$848			
Small Business Administration	73		\$6			
Department of Health and Human Services	75		\$1,698			
National Aeronautics and Space Administration	80		\$10,403			
Department of Energy	89		\$174			
Department of Education	91		\$46			
Independent Agencies	95		\$6			
Other Defense Organizations General Funds	97		\$400			
Other Defense Organizations Working Capital Funds	97-4930		\$30			
Navy Working Capital Fund	97-4930.002		\$3			
The General Fund of the Treasury	99		\$7,389			
Homeland Security			\$688			
<b>Totals:</b>		<b>\$2,595,723</b>	<b>\$423,774</b>		<b>\$2,478,454</b>	

## Required Supplementary Information

### Governmental Transactions from the Consolidating Trial Balance

<b>Schedule, Part B DoD Intragovernmental Entity Liabilities (\$ Amounts in Thousands)</b>	<b>Treasury Index:</b>	<b>Accounts Payable</b>	<b>Debts/Borrowings From Other Agencies</b>	<b>Other</b>
The Judiciary	10	\$57		
Department of Agriculture	12	\$1,290		\$6
Department of Commerce	13	\$3,985		\$496
Department of the Interior	14	\$17,502		\$1,683
Department of Justice	15	\$526		\$7
Department of Labor	16	\$10		\$42,884
Navy General Fund	17	\$507		
United States Postal Service	18			\$46
Department of State	19	\$793		\$18
Department of the Treasury	20	\$733	\$17,386	\$147,185
Army General Fund	21	\$3,574		\$445
Office of Personnel Management	24	\$82		\$21,207
Library of Congress	3	\$129		
Nuclear Regulatory Commission	31	\$1		
Department of Veterans Affairs	36	\$211		\$22
Government Printing Office	4	\$135		
U.S. Equal Employment Opportunity Commission	45	\$1		
Appalachian Regional Commission	46	\$29		
General Service Administration	47	\$37,587		\$55
National Science Foundation	49	\$180		
Air Force General Fund	57	\$148		
Federal Emergency Management Agency	58	\$12		\$19
Tennessee Valley Authority	64	\$2,726		
Environmental Protection Agency	68	\$487		
Department of Transportation	69	\$712		\$11
Department of Health and Human Services	75	\$541		\$58
National Aeronautics and Space Administration	80	\$58		
Department of Housing and Urban Development	86			\$2,956
Department of Energy	89	\$2,897		\$3,179
Department of Education	91			\$1,515
Independent Agencies	95	\$7		\$444
Other Defense Organizations General Funds	97	\$1,541		
Other Defense Organizations Working Capital Funds	97-4930	\$8,318		
Navy Working Capital Fund	97-4930.002	\$394		
Air Force Working Capital Fund	97-4930.003	\$5		
The General Fund of the Treasury	99	\$7,389		\$1,874,244
Homeland Security		\$198		
<b>Totals:</b>		<b>\$92,765</b>	<b>\$17,386</b>	<b>\$2,096,480</b>

## Required Supplementary Information

<b>Schedule, Part C DoD Intragovernmental Revenue and Related Costs (\$ Amounts in</b>	<b>Treasury Index:</b>	<b>Earned Revenue</b>
The Judiciary	10	\$39
Department of Agriculture	12	\$8,184
Department of Commerce	13	\$4,743
Department of the Interior	14	\$59,973
Department of Justice	15	\$63,144
Department of Labor	16	\$12
Navy General Fund	17	\$2,835
United States Postal Service	18	\$104
Department of State	19	\$16,650
Department of the Treasury	20	\$5,167
Army General Fund	21	\$434,991
Social Security Administration	28	\$7
Nuclear Regulatory Commission	31	\$232
Smithsonian Institution	33	\$4,971
Department of Veterans Affairs	36	\$4,018
Government Printing Office	4	\$1
U.S. Equal Employment Opportunity Commission	45	\$5
General Service Administration	47	\$1,799
Independent Agencies	48	\$0
National Science Foundation	49	\$1,795
General Accounting Office	5	\$396
Air Force General Fund	57	\$48,029
Federal Emergency Management Agency	58	\$73,520
Railroad Retirement Board	60	\$22
National Labor Relations Board	63	\$0
Tennessee Valley Authority	64	\$161
Environmental Protection Agency	68	\$121,248
Department of Transportation	69	\$34,758
Agency for International Development	72	\$11,072
Small Business Administration	73	\$6
American Battle Monuments	74	\$3
Department of Health and Human Services	75	\$10,623
National Aeronautics and Space Administration	80	\$22,281
Department of Housing and Urban Development	86	\$2,721
Department of Energy	89	\$19,048
Department of Education	91	\$1,585
Independent Agencies	95	\$389
Other Defense Organizations General Funds	97	\$44,644
Other Defense Organizations Working Capital Funds	97-4930	\$96
Army Working Capital Fund	97-4930.001	\$6
Navy Working Capital Fund	97-4930.002	\$102
Homeland Security		\$12,387
<b>Totals:</b>		<b>\$1,011,767</b>

Governmental Transactions from the Consolidating Trial Balance

<b>Schedule, Part E DoD Intragovernmental Non-exchange Revenues (\$ Amounts in Thousands)</b>	<b>Treasury Index:</b>	<b>Transfers In</b>	<b>Transfers Out</b>
Department of the Interior	14	\$56,938	\$56,649
Navy General Fund	17	\$40	
Department of the Treasury	20	\$833,260	\$10,000
General Service Administration	47		\$257
Air Force General Fund	57		\$1
Tennessee Valley Authority	64		\$56
Department of Energy	89	\$576	
Other Defense Organizations Working Capital Funds	97-4930	\$6	
The General Fund of the Treasury	99	\$670,451	\$687,406
Homeland Security			\$3
<b>Totals:</b>		<b>\$1,561,271</b>	<b>\$754,372</b>



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202

December 3, 2003

MEMORANDUM FOR COMMANDER, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Independent Auditor's Report on the U.S. Army Corps of Engineers, Civil Works,  
Fiscal Year 2003 Principal Financial Statements (Report No. D 2004 032)

The Chief Financial Officers Act of 1990, as amended, requires the Inspector General of the Department of Defense to audit the accompanying Consolidated Balance Sheet of the U.S. Army Corps of Engineers, Civil Works, (USACE) as of September 30, 2003 and 2002, and the related Consolidated Statements of Net Cost and Changes in Net Position and the Combined Statements of Financing and Budgetary Resources for the fiscal years then ended. These financial statements are the responsibility of the USACE management. USACE is also responsible for implementing effective internal control and for complying with laws and regulations. In addition to our disclaimer of opinion on the USACE financial statements, we are including the required reports on internal control and compliance with laws and regulations.

**Disclaimer of Opinion on the Financial Statements**

USACE acknowledged to us that the USACE FY 2003 Financial Statements are presented fairly in accordance with generally accepted accounting principles. Our audit of the USACE FY 2003 Financial Statements was limited to the Consolidated Balance Sheet. USACE was unable to provide sufficient audit-ready evidential material for the auditors to complete the audit. Therefore, we are unable to express, and we do not express, an opinion on the USACE FY 2003 Consolidated Balance Sheet. We did not audit the USACE FY 2003 Consolidated Statements of Net Cost and Changes in Net Position and the Combined Statements of Financing and Budgetary Resources. Therefore, we do not express an opinion on those statements.

Time constraints precluded USACE from providing sufficient audit-ready evidential material for the auditors to complete the audit of the USACE FY 2002 Consolidated Balance Sheet. Under an attestation agreement with USACE, the auditors identified material weaknesses related to General Property, Plant, and Equipment; Accounts Payable; and general and application controls of their financial management systems. Therefore, we are still unable to express an opinion on the USACE FY 2002 Financial Statements.

**Summary of Internal Control**

In planning and performing our audit, we considered the USACE internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with Office of Management and Budget (OMB) guidance but not to express an opinion on internal control.

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*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time. —Constitution of the United States Article I, Section 9*

Accordingly, we do not express an opinion on internal control over financial reporting and compliance because previously identified reportable conditions,<sup>1</sup> all of which are material, continue to exist in the following areas: General Property, Plant, and Equipment and Accounts Payable. A material internal control weakness was also identified in the compilation of the financial statements.

A material weakness is a condition that precludes the entity's internal control from providing reasonable assurance that noncompliance, misstatements, or losses that are material in relation to the financial statements would be prevented or detected on a timely basis. Our internal control work would not necessarily disclose all material weaknesses. See the Attachment for additional details on material internal control weaknesses.

### **Summary of Compliance with Laws and Regulations**

Our work to determine compliance with selected provisions of the applicable laws and regulations was limited because previously reported instances of noncompliance continue to exist. In addition, the USACE was unable to provide sufficient audit-ready evidential material for the auditors to complete the audit. However, our review of the FY 2003 Balance Sheet revealed that the USACE was not compliant with:

- Statement of Federal Financial Accounting Standard (SFFAS) No. 6, “Accounting for Property, Plant, and Equipment,”
- SFFAS No. 1, “Accounting for Selected Assets and Liabilities,”
- Department of Defense Financial Management Regulation (DoD FMR), volume 4, chapter 6, “Property, Plant, and Equipment,”
- DoD FMR, volume 6A, chapter 2, “Financial Reports Roles and Responsibilities,” and
- Federal Financial Management Improvement Act (FFMIA) of 1996.

In previously issued audit reports, the General Accounting Office (GAO) and the Army Audit Agency (AAA) noted instances of noncompliance with:

- Federal Managers' Financial Integrity Act (FMFIA) of 1982,
- OMB Circular A-123, “Management Accountability and Control,”
- OMB Circular A-130, “Management of Federal Information Resources,”
- OMB Circular A-127, “Federal Management Systems,” and
- FFMIA of 1996.

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<sup>1</sup> Reportable conditions are matters coming to the auditor's attention that, in his or her judgment, should be communicated to management because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in financial statements.

*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.* —Constitution of the United States Article I, Section 9

See the Attachment for additional details on compliance with laws and regulations. Our review of USACE compliance with laws and regulations would not necessarily disclose all noncompliance issues. Our objective was not to express an opinion on compliance with applicable laws and regulations.

### **Management Responsibility**

Management is responsible for:

- preparing the financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the FMFIA of 1982 are met;
- ensuring that USACE financial management systems substantially comply with FFMIA of 1996 requirements; and
- complying with applicable laws and regulations.



Paul J. Granetto, CPA  
Director  
Defense Financial Auditing  
Service

Attachment  
As stated

*A regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.* —Constitution of the United States Article I, Section 9



## Reports on Internal Control and Compliance with Laws and Regulations

### Internal Control

Management is responsible for implementing effective internal control and for providing reasonable assurance that accounting data are accumulated, recorded, and reported properly; and that assets are safeguarded. We performed limited tests of internal control over financial reporting for USACE, and we did not obtain sufficient evidence to support or express an opinion on internal control. We limited our audit tests because previously identified reportable conditions, all of which are material, continue to exist in the compilation of the financial statements, Accounts Payable, Equipment, and Buildings and Structures. These material internal control weaknesses significantly impair the ability of USACE to detect and investigate fraud or theft of assets. A high risk of material misstatements will continue to exist until the internal control deficiencies are corrected.

**Compilation of Financial Statements.** The U.S. Army Corps of Engineers Financial Management System (CEFMS) chart of accounts was substantially in compliance with the U.S. Government Standard General Ledger (USSGL). However, the controls over the processes used to compile the financial statements were not adequate, resulting in undocumented modifications to the financial data used to prepare the FY 2003 financial statements. In addition, journal vouchers used to make accounting adjustments were unsupported and inadequately controlled, and accounting transactions were not processed in accordance with the USSGL.

**Accounts Payable.** Internal control testing identified departures from generally accepted accounting principles to include misclassification of general ledger accounts when making accounting journal entries for Accounts Payable.

**Equipment.** As discussed in our FY 2002 financial statement disclaimer opinion, internal controls were not adequate to ensure that USACE districts maintain supporting documentation over equipment valuation. This continues to be an issue on the USACE FY 2003 Balance Sheet.

**Buildings and Structures.** Internal controls were insufficient because USACE guidance was not consistently implemented and strictly enforced. For example, the placed-in-service and retirement dates were often unsupported or improperly established in CEFMS and the book cost of the structures that were removed from CEFMS may not have been properly valued and classified in CEFMS. In addition, internal controls did not ensure that systems access was properly controlled and that information in the systems was complete and accurate.

### Compliance with Laws and Regulations

Management is responsible for compliance with existing laws and regulations related to financial reporting. Our work to determine compliance with selected provisions of the applicable laws and regulations was limited because USACE was unable to provide sufficient audit-ready evidential material for the auditors to complete the audit of compliance with laws and regulations. However, our review of the FY 2003 USACE Consolidated Balance Sheet revealed instances of noncompliance, and GAO and AAA noted instances of noncompliance in previously issued audit reports. Therefore, we did not determine whether USACE was in compliance with all applicable laws and regulations related to financial reporting. Our objective was not to express, and we do not express, an opinion on compliance with applicable laws and regulations.

**Compilation of the Financial Statements.** The FFMIA of 1996 requires USACE to establish and maintain financial management systems that comply substantially with the Federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level. In addition, the

FMFIA of 1982 requires USACE to evaluate the systems and to annually report whether those systems are in compliance with applicable requirements. The Chief Financial Officers Act of 1990 requires DoD to prepare a 5-year Financial Management Plan describing activities that DoD will conduct during the next 5 years to improve financial management.

USACE did not process all accounting transactions in accordance with the FFMIA. FFMIA states that entities' financial reporting systems must substantially comply with the USSGL at the transaction level. However, USACE did not have a process in place to ensure that the CEFMS general ledger correlations were promptly updated or that deficiencies were corrected. As a result, USACE had to make adjustments to financial data to correct accounting errors because of general ledger correlation deficiencies. The adjustments reduced the reliability of the USACE financial statements and caused an increase in effort to complete the compilation of the financial statements. For example, the USACE classification of Federal and non-Federal transactions, accounting for Net Position, and accounting for budgetary transactions were recorded improperly.

USACE was noncompliant with DoD FMR, volume 6A, chapter 2, "Financial Reports Roles and Responsibilities." Upon reviewing 22 journal vouchers valued at \$5.7 billion, we discovered that USACE could not provide adequate supporting documentation, as required by DoD FMR, volume 6A, chapter 2.

**Land.** USACE did not comply with SFFAS No. 6, "Accounting for Property, Plant, and Equipment," and DoD FMR, volume 4, chapter 6, "Property, Plant, and Equipment," because neither the supporting documentation nor the estimates were provided as required. SFFAS No. 6 states that the cost of General Property, Plant, and Equipment shall include all costs incurred to bring the property to a form and location suitable for its intended use. SFFAS No. 6 requires the use of estimates if historical cost data have not been maintained. In addition, DoD FMR, volume 4, chapter 6, requires proper supporting documentation, such as purchase invoices, sales and procurement contracts, military and real property transfer and acceptance forms, work order completion reports, construction contracts, and work orders. Administrative costs continue to be an issue because of the lack of supporting documentation; therefore, USACE cannot ensure that land costs are not misstated.

**Accounts Payable.** USACE does not recognize liabilities in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which requires that Accounts Payable be established when goods or services are received. In addition, USACE did not comply with SFFAS No. 1 because they do not record unfunded Accounts Payable.

**Buildings and Structures.** USACE was not in compliance with DoD FMR, volume 4, chapter 6. USACE useful life estimates were not validated. USACE should base decisions about useful life standards on a reasonable estimate of how long an asset will actually be used. Thus, we recommend that their useful life estimates comply with DoD FMR, volume 4, chapter 6, useful life standards.

**Financial Management Systems.** USACE is required to comply with the following financial management systems reporting requirements.

- The FFMIA of 1996 is intended to advance Federal financial management by ensuring that the Federal financial management systems can and do provide reliable, consistent disclosure of financial data that are uniform across the Federal Government from year to year, using generally accepted accounting principles. It is also intended to provide the basis for ongoing use of reliable financial information in program management and in oversight by the President, the Congress, and the public. FFMIA requires each agency to implement and maintain systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level. FFMIA also requires auditors to report on the agency's compliance with the FFMIA. Further, FFMIA requires agency heads to determine whether their financial management systems comply with the

FFMIA, based on audit reports and other information, and to develop remediation plans and file them with OMB if the financial management systems do not comply with FFMIA.

- The FMFIA of 1982 requires agencies to evaluate the systems and to annually report whether those systems are in compliance with applicable requirements. When systems are not in compliance, the statement must include a report of internal accounting and administrative control material weaknesses and plans and a schedule for correcting the material weaknesses.
- OMB Circular A-123, revised June 21, 1995, requires agencies and individual Federal managers to take systematic and proactive measures to: assess the adequacy of management controls in Federal programs and operation, identify needed improvements, take corresponding corrective actions, and report annually on management controls.
- OMB Circular A-130, Appendix III, establishes a minimum set of controls to be included in Federal automated information security programs, assigns Federal agency responsibilities for the security of automated information, and links agency information security programs and agency management control systems established in accordance with OMB Circular A-123. Agencies should implement and maintain their automated security programs to ensure that adequate security is provided for all agency information that is collected, processed, transmitted, stored, or disseminated in general support systems and major applications.
- OMB Circular A-127, revised July 23, 1993, requires agencies to develop, operate, evaluate, and report on financial management systems. It also requires that financial management systems provide complete, reliable, consistent, timely, and useful information.

According to the GAO and AAA prior audit reports, USACE did not fully comply with the FMFIA and OMB Circulars A-123 and A-130 requirements to protect the integrity of its financial management systems, identify needed improvements, and take corresponding corrective actions. OIG DoD audit work is currently ongoing for both the GAO and AAA prior year audit reports. According to AAA, USACE does not comply with the FFMIA because the lack of computer controls impairs the ability of USACE to ensure the reliability, confidentiality, and availability of financial and sensitive data. The USACE remediation plan has been requested but not received as of November 2003. According to GAO and AAA, the continued CEFMS general and application computer controls vulnerabilities impair the ability of USACE to ensure reliability, confidentiality, and availability of financial and sensitive data, as required by OMB Circular A-127.

Federal agencies reporting under the Government Management Reform Act of 1994 are to follow accounting standards and concepts adopted by OMB, Department of the Treasury, and GAO. OMB Bulletin 01-09, "Form and Content of Agency Financial Statements," requires the Statement of Net Cost to present costs by major programs. However, USACE did not fully implement the requirements established by OMB for its FY 2003 Statement of Net Cost. Instead, USACE presented the statement by appropriation as required by the DoD FMR. The DoD FMR, which implements the OMB bulletins for DoD, requires the Statement of Net Cost to be presented by program units or appropriation groupings.

### Audit Disclosures

We were unable to obtain adequate evidential matter to form or express an opinion on the financial statements, internal control, and compliance with laws and regulations.

This report does not include recommendations to correct the material control weaknesses and instances of noncompliance because previous audit reports contained recommendations for corrective actions.